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NEWS SUMMARY

GENERAL

Bombing campaign 'will go on'

The bombing campaign in Britain will go on the Provisional IRA's military wing made clear in a message to Provisional Sinn Fein's annual conference in Dublin yesterday.

An expected direct commitment to maintain the violence and extend it from London to other cities was omitted, but republicans at the two-day meeting said: "The statement . . . made clear there was no intention to stop the campaign now."

Summit hopes

There are hopes that this week's Anglo-Irish summit in London will produce proposals towards a political settlement in Northern Ireland. Back Page

Begin charge

Israeli Prime Minister Menahem Begin said the peace process between Israel and Egypt was threatened by U.S. and West European interest in the Saudi Middle East peace plan. Back Page

Spy questions

Labour MP Ted Leadbitter, who raised the Blunt spy case in Parliament, will table questions this week over confessions by former intelligence officer Leo Long that he was part of Blunt's network.

Submarine visited

A senior Swedish navy officer twice went aboard the Soviet submarine grounded off Karlskrona but gave no details of his talks with the captain.

Mugabe pledge

Zimbabwe's Prime Minister Robert Mugabe ruled out nationalisation provided businessmen conform with state policy. Page 2

School racism

Schoolchildren who make racist attacks on pupils or teachers should be suspended or excluded from school, the National Union of Teachers said.

Arms found

A former West German forestry worker arrested after the discovery of arms and ammunition caches believed to belong to right-wing extremists hanged himself in his cell, the North Saxony Interior Ministry said.

Jarrow march

Opposition leader Michael Foot led 6,000 marchers in Jarrow against unemployment, 45 years after the original march.

N. Korea warning

North Korea warned of counter-measures after accusing South Korea of machine-gunning its sector of the demilitarised zone.

Tricycle triumph

The first vehicle to arrive in the London to Brighton veteran car run was an 1888 de Dion Bouton tricycle ridden by John Bentley of West Yorkshire.

Briefly . . .

Costa Rica will seek the extradition from El Salvador of five aircraft hijackers.

Schoolteacher John Backhouse, 28, will be Labour candidate in the Crosby by-election.

Guinness brewery craftsmen in Dublin voted to end their strike.

Small business

The Financial Times broadens its coverage of small business from tomorrow. Feature and news background articles will appear every Tuesday on the Management Page designed to appeal to all interested in small companies — entrepreneurs, bankers, civil servants and academics.

BUSINESS

Inco cuts output in Central America

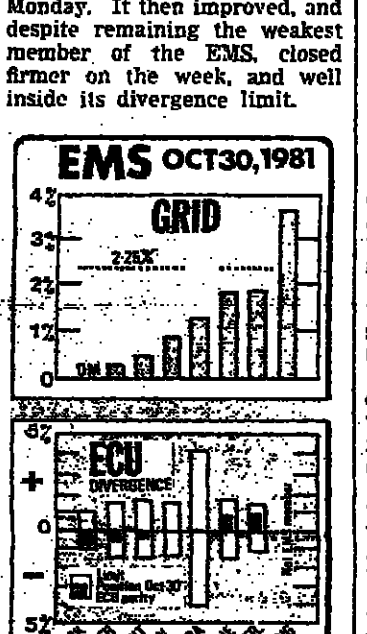
● INCO, the world's largest nickel producer, will suspend its Exmibal mining and processing operations in Guatemala.

It said the operation, which has a 25m lbs-a-year capacity, was not likely to be profitable in the foreseeable future. Page 2

● ITALY'S September trade deficit was L2,154bn (£970m), double that in July and August. Premier Giovanni Spadolini appealed to employers and unions to sink their differences about cutting labour costs. Page 2

● FRENCH franc and the D-mark had a better week in the European Monetary System. Even after cuts in French interest rates, with the Bank of France money market intervention rate falling to 15¼ per cent from 15¾ per cent on Friday, the franc finished as the strongest member of the system, replacing the Danish krone.

The D-mark required support against the krone at the beginning of the week, and fell outside its divergence limit on Monday. It then improved, and despite remaining the weakest member of the EMS, closed firmer on the week, and well inside its divergence limit.



The chart shows the two constraints on European Monetary System exchange rates. The upper grid based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from the "central rate" against the European Currency Unit (ECU) itself a basket of European currencies.

● BRITISH Shipbuilders have merchant orders of nearly £680m, well up on recent years. Page 4

● EEC's leading steel users condemned plans for price increases of up to 15 per cent. Page 5

● BNOC intends to increase its North Sea oil price tomorrow or Wednesday. Page 6

● TREASURY committee of MPs is to consider proposals to reform the budgetary system by presenting expenditure and revenue plans at the same time. Page 4

● TRUSTEE Savings Banks will be allowed by the Treasury to increase lending by 25 per cent (about £250m) in their financial year beginning mid-November. Page 4

● GUINNESS PEAT group chairman and chief executive Edmund Dell won his board's support for his policies. Back Page

● LINFOOD HOLDINGS, food stores group, forecast a minimum 30 per cent profit growth this year in a move to hold off a bid from Argyll Foods. Page 16

● EXCO INTERNATIONAL, one of the big four London money brokers, is offering about a third of its shares to the public later this week. Page 5

CONTENTS

UNION LEADERS SPLIT OVER IMPROVED £3.75 BONUS OFFER

BL workers to vote tomorrow

BY JOHN LLOYD, LABOUR CORRESPONDENT

THE CONTINUATION of the strike at BL hangs on the result of mass meetings of its 58,000 manual workers called for tomorrow morning to vote on a marginally improved offer from the company.

It appeared last night that the workers would be faced with confusing advice on how to vote—with the clear possibility of a split developing between the a split developing between many of the unions' general secretaries and the local officials and stewards who make up the negotiating committee.

The most robust line was taken by Sir John Boyd, general secretary of the Amalgamated Union of Engineering Workers, BL's second-biggest union.

Sir John said in a radio interview that he had told the negotiating committee on Saturday night: "The strike should never have started. Now that it has, I hope the workers will vote solidly to return to work."

It is understood that Sir John was supported in this line, though to a much milder degree, by other general secretaries attending the talks at the Advisory, Conciliation and Arbitration Service (Acas).

However, Mr Alex Kitson, deputy general secretary of the Transport and General Workers' Union, took a generally neutral line when interviewed yesterday on ITV.

Mr Kitson repeated several times that he would recommend neither acceptance nor rejection, though he did at one point stress that it was an improved offer and that if it were accepted "I'll accept that and I won't be disappointed."

He was almost immediately accused of deceit by Mr Harold Musgrove, chairman of BL's light and medium cars division, who claimed that Mr Kitson had agreed at ACAS that a "basis for a settlement" had been reached.

The outcome of the mass meetings will depend greatly on the conclusion reached by the negotiating committee on whether to recommend acceptance or rejection or to put the offer to the workers with no recommendation. The committee meets in Birmingham this morning.

Senior stewards and officials said last night that they believed the negotiating committee would agree to recommend rejection.

Mr Wal Suett, a senior steward at Longbridge, said he believed that 80 per cent of the workforce would continue to reject the improved offer as the improvements were largely "cosmetic."

Mr David Buckle, Oxford district secretary of the TGWU, said that by negotiating only with the general secretaries rather that the full committee, Sir Michael had "shown once again his total contempt for BL employees."

The improved offer will guarantee the payment of the minimum £3.75 a week bonus in period of lay-off, sickness and holidays; it will involve workers and the unions in the operation of the bonus incentive scheme; it will reconstitute the joint negotiating committee with the aid of the TUC; it will review, without commitment, the possibility of consolidating the £3.75 bonus next November; and it will withdraw the letter from Sir Michael threatening closures and sackings if the strike is called off tomorrow.

The offer of 3.8 per cent rise on basic rates has not been improved. However, some union officials have estimated the improved offer to be worth 5.1 per cent.

Picketing has already begun at BL's main plants and some confusion is expected this morning, with white-collar and other workers who voted against the strike possibly trying to get to work.

Most of BL's plants will be affected, except for the truck and bus division which voted to accept the offer and the plants, mainly in Solihull and Coventry, which are due to close and where about 3,000 workers have been given exemption by the unions because of the loss of redundancy money if they struck.

Businessmen bitter over Chinese trade practices

BY ALAIN CASS AND COLINA MACDOUGALL IN CANTON

FOREIGN businessmen trading with China are complaining bitterly that the People's Republic is seriously undermining its overseas markets because the central government has lost control of contract pricing and is in some cases unable to honour existing export contracts.

These accusations stem from China's economic reforms which allow provinces and enterprises to compete with one another for foreign export business.

According to many dealers at the autumn Canton Fair the situation is virtually out of control in some areas.

One head of a provincial delegation commented privately: "Peking is powerless. Its arm is not long enough to reach down to local level."

Commodity dealers, who in the past could rely on Peking to lay down a consistent price structure, say competition and price-cutting is now so intense that the markets for some good products — canned mushrooms was cited as an example—could be adversely affected.

Businessmen also claim that some provincial exporting bodies, who have taken over responsibility for the sales of local products, are reneging on contracts already signed by the central authorities.

A typical case involves a big UK company which was told last week that the remaining consignments of a large liquorice root contract would not be delivered by the central authority because it no longer had jurisdiction over the deal. The provincial authority concerned has since said that the remaining deliveries are subject to a 26 per cent price increase.

In another case, an American company signed an $8m (£4.4m) deal with the central authority in Shanghai for exclusive marketing rights of precision tools in the U.S. At the time, the authority was solely responsible for the sales of this product.

The U.S. company has since discovered that the provincial authorities are now making separate deals of their own with other American companies.

One British businessman who has been dealing with China for more than 20 years commented: "Some Chinese are dishonestly and dishonourably using the new system to get out of contracts.

"In the old days China's integrity was beyond reproach. I cannot say that any longer."

It is now common practice for dealers to be offered discounts ranging from 5 to 30 per cent if business is done directly with the factory or province outside the fair.

Although the reforms allow for separate dealing, all prices are still, in theory, fixed by the State. This ruling is being widely disregarded.

Commented one Chinese trade official: "This may be good in the long run but right now it is causing confusion among customers and problems for us."

Western officials estimate that this year's autumn and spring fairs should turn over around $5bn (£2.8bn)—an increase of $2bn (£1.1bn) over last year's figure when China's total foreign trade amounted to $38.8bn (£21.5bn).

Officials in Peking insist the reforms will boost production and improve quality in the long run.

The Chinese hope that a set of laws expected to be unveiled later this month will provide foreign companies with legal protection against default. Many businessmen remain sceptical.

Marathon to fight Mobil proposal

By Paul Betts in New York

MARATHON OIL, the 17th largest U.S. oil company, with annual sales of about $10bn, is expected this week to contest the $3.4bn (£1.8bn) bid by Mobil for two-thirds of its shares.

Mobil announced on Friday an $85-a-share offer for up to 40m Marathon shares. But the second largest U.S. oil group, which lost out to Du Pont last summer in the battle for Conoco, said its bid for two-thirds of Marathon would be followed by a merger of the two companies.

At $85 a share the bid puts a value of $5bn on Marathon. Wall Street's reaction has been that Mobil's offering price is too low for a company conservatively valued on the basis of its assets at about $200 a share.

Marathon's board, which held an extended council of war at its headquarters near Toledo, Ohio, at the weekend, had so far remained silent. Its most likely course of action, according to Wall Street, would be to

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Mobil well-armed and confident, Page 22

Grim economic scene predicted for next election

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

THE GOVERNMENT will have to fight the next election against a background of 3m unemployed, inflation in double figures and industrial output lower than when it took office, according to the latest forecast from the influential London Business School.

The school, which takes a broadly monetarist view, has erred in the recent past on the optimistic side. Now, in its latest quarterly forecast, it has put into stark figures many of the fears which have gripped the Conservative "wets" inside and outside the Cabinet since the summer.

Politically, the most serious aspect of the new forecast is its view on inflation, the reduction of which is the cornerstone of Government economic policies.

The school believes the rate of increase in consumer prices will fall by less than a percentage point by 1983 from about 11.2 per cent this year and will then increase to nearly 11 per cent in 1984, the last possible date for an election.

This is significantly more pessimistic than the school's last forecast in June, which suggested the inflation rate would fall below 9 per cent next year and stay below this level until the middle of the decade.

The new forecast suggests that the Government's strategy for bringing inflation down to about 5 per cent by 1984 will fail by a wide margin. The prediction is, moreover, ominously close to those of two rival forecasting units, Cambridge Econometrics and the Economist Intelligence Unit.

Both these units, which espouse a broadly "neo-Keynsian" approach, expect inflation to remain between 10 per cent and 11 per cent with the total unemployment figure about 3m for the rest of the Government's term of office. The Cambridge forecast is also published today. The EIU forecast was issued on October 23.

The Cambridge group says in an outspoken comment that a major part of the Government's financial policy "lies in ruins." The prospects of control over the money supply is "as remote as ever" and targets for Government borrowing will be substantially exceeded in all three financial years up to 1983-84.

Cambridge Econometrics predicts that "all the Government will have to show for its term in office is an inflation rate of just over 11 per cent and a standard rate of income tax of 25 per cent."

The London Business School says more cautiously that the targets for the increase in money supply set out in the Government's Medium Term Financial Strategy "are unlikely to be met." But it is more sanguine about the prospect for limiting Government borrowing. This could "in due course bring monetary growth broadly under control."

The school still expects a slow recovery in economic

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Slow recovery expected, Page 6

CBI reports more workers going without increases

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

A TOTAL of 250,000 workers have agreed this year to defer or give up annual pay increases because of their employers' financial problems, according to the Confederation of British Industry.

More than 140,000 of the workers are in the British Steel Corporation and British Airways. The remaining 100,000 are employed by between 70 and 100 medium-sized companies, mostly in the engineering industry in the Midlands and the North, where the recession has hit hardest.

The CBI issued this estimate last night, on the eve of its annual conference in Eastbourne, in order to encourage companies to try to negotiate low wage deals this winter.

Sir Ray Pennock, CBI president, announcing the estimate, said companies should not pay more than they could afford. He refused to be drawn on BL's negotiations but said the car company's problems "epitomised the area of discussion" the CBI wanted in its pay debate this morning.

"If you haven't earned the money, you can't pay it out," he declared.

Sir Michael Edwardes, chairman of BL, is expected at the conference today, when he is scheduled to open the debate on competitiveness. Mr Ian Macgregor, chairman of British

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Private sector pay deals ignore 4 per cent target, Page 7

Bank lending for house buying expected to double this year

BY MICHAEL CASSELL

BANK LENDING for house purchase is expected to reach £1.4bn in 1981, more than twice the level in 1980, according to the Building Societies Association.

The estimate underlines the extent of the inroads the banks have been making into the mortgage market. This year they are expected to account for about 18 per cent of all net advances to home-buyers, compared with 9 per cent in 1980.

In cash terms the £1.4bn compares with £620m in the previous 12 months.

The societies, traditionally used to taking up 95 per cent of new mortgage business, are becoming increasingly concerned about the extent of the banks' mortgage - lending success.

Many believe that the proportion of business lost to other competitors is likely to rise still further. Some expect the societies' share of the new mortgage market to fall as low as 60 per cent.

The association, in its latest Bulletin, says that in the quarter ending in August 1981 net advances by the banks for home purchase reached £574m, not only the highest figure achieved but no less than 85 per cent higher than the previous record in the preceding quarter.

Bank mortgage lending is running at around £200m a month net, compared with building society net advances of £409m. By the end of this year the banks are expected to account for 7 per cent of all outstanding mortgage debt.

The societies believe that though the banks' entry into the market will make mortgages more readily available than in the past, rates of interest will inevitably be closer to market rates.

Building society net advances in 1981 are expected to approach £7bn, though gross advances seem likely to reach about £12bn against £9.61bn in 1980.

Despite an increase in size of average advances, the societies should make 763,000 loans in the current year, compared with 675,000 in 1980. The projected total of mortgage advances will be the second highest figure ever, exceeded only by the $802,000 advances completed in 1978.

The societies are being cautious about making predictions for 1982, but high interest rates and readily available alternative sources of mortgage finance promise to make it difficult for them to maintain this year's progress.

Paribas faces legal action

BY TERRY DODSWORTH IN PARIS

THE FRENCH Government is to take legal action against officials of Paribas, the private bank at the centre of the bitter nationalisation row, over a series of "particularly serious" exchange control frauds.

The timing of the decision clearly indicates that the Government intends to use the case to hit back at the bank for what it regards as disloyal moves to frustrate its credit nationalisation proposals.

Despite the fact that the alleged frauds were first discovered late last year, the Government's announcement of the court action follows only shortly after it became clear that Paribas' Swiss and Belgian subsidiaries were escaping full nationalisation. In addition, it is being widely pointed out in France that a more traditional way of dealing with such cases is with a heavy out-of-court settlement.

The move underlines the French Government's annoyance and frustration at the way Paribas' two big European subsidiaries have been taken out of the orbit of nationalisation through a number of discreet inter-company share exchanges.

It was confirmed on Friday that about 60 per cent of Paribas Suisse was now held by Pargesa, a Swiss group which contains several Paribas-linked companies as shareholders, following a share exchange offer. Paribas' stake in Cobepa, its Belgian affiliate, is believed to have dropped this year from 60 per cent to about 35 per cent.

According to the Budget Ministry, legal action is to be taken over two main issues, which came to light during a Customs and Excise raid on the bank's Paris headquarters last November.

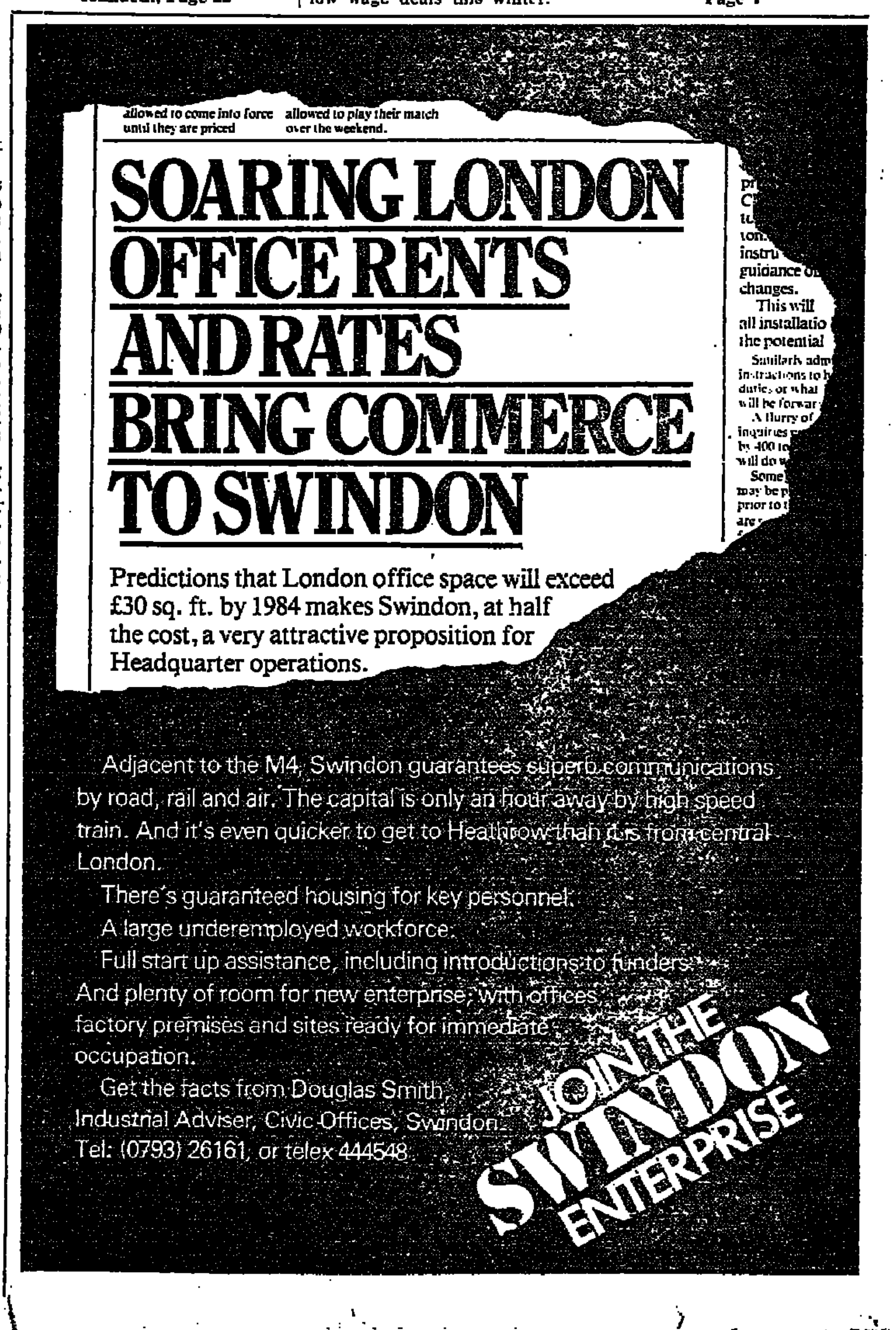
The first concerns an alleged illegal gold transfer to Canada of 35,000 coins valued at FFr 29m ($5.2m)

The Ministry claims that the Paribas officials involved in this incident also substituted some lower valued gold coins in place of the original cargo.

In the second case, the Ministry says that some officials of the funqkfi ..e¼d of the bank had set up a secret network for transferring funds to Switzerland, on the account of certain clients. This system had operated for "several years" allowing "considerable sums" to be exported.

This particular case will not be placed before the courts immediately, but action will be taken, the communique stresses, once a few further details have been cleared up.

The Ministry statement does not make it clear which director or officials of the bank may be taken to court. It is known that two Paribas employees were retired early shortly after the Customs revealed the secret secret transfer network.



OVERSEAS NEWS

Spadolini warns Italy of 'unprecedented economic problems'

BY RUPERT CORNWELL IN ROME

ITALY'S beleaguered Prime Minister, Sig Giovanni Spadolini, appealed at the weekend to industry and unions to sink their differences over cutting labour costs. The country was facing "unprecedented" economic difficulties, he warned.

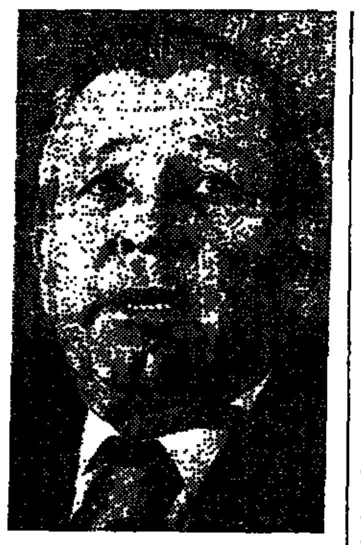
His warning was underlined by new statistics yesterday showing that September's trade deficit doubled from the previous two months to L2154bn (£970m), and by indications that retail prices last month jumped by 2 per cent.

Sig Spadolini, whose five-party coalition Government is looking *increasingly fragile, said on television* that inflation this year was unlikely to drop below 19 *per cent, that unemployment* now exceeded 2m and that hours lost on state-subsidised lay-offs *in the first seven months alone* had doubled to 337m.

Further bad news will come this week if reports prove true that *Alfa Romeo, Italy's second* car manufacturer, plans to lay off a third of its 37,500 workforce in face of slumping demand.

As if to echo the Prime Minister's warning, *Dr Carlo* Ciampi, Governor of the Central Bank, told the annual congress *of Italian foreign* exchange dealers in Bologna yesterday that the country would run up a *current* account deficit of L11,000bn (£5bn). The country's net foreign indebtedness had risen to $8bn, he added.

If matters were not to worsen further, Dr Ciampi declared, it *was essential that labour costs* be reduced and the planned ceiling for the public sector *deficit next year, of L50,000bn,* be respected.



Mr Regan: pleased by Fed decision

Tax rises rejected by Regan

By David Buchan in Washington

THE U.S. Treasury Secretary, *Mr Donald Regan, yesterday* ruled out any increase in taxes while the economy continued in *recession, which he expected to* be "another six months."

In a television interview, Mr Regan made clear that the Administration's hopes for recovery in spring 1982 were *based on the expected stimulus* of income tax reductions, already enacted to take effect next year, *and a slight relaxation* in credit policy, starting with the Federal Reserve Board's move *on Friday* to cut its discount rate from 14 per cent to 13 per cent.

The Treasury Secretary said that President Reagan's goal of balancing the federal budget by 1984 was still possible, though not probable, if Congress met Mr Reagan's request for further public spending cuts. However, it would be too deflationary and "wrong at this time" to suggest tax increases beyond the plan which the Administration has already proposed to speed tax collection and close some loopholes, to bring in an extra $3bn in 1981-82.

Some tax increase has been suggested by many people as a *necessary* step to controlling the budget deficit, because Congress seems almost to have given *up on the struggle* to cut spending further. It is in the process of passing several 1981-1982 *funding* Bills which go well beyond the Administration targets.

Mr Regan's dismissal of any immediate move to raise indirect excise taxes carries weight since he is officially the Administration's chief economic spokesman. But the influential Mr David Stockman, the Budget Director, is known to feel that the Administration should not abandon its goal of a balanced budget by 1984, without trying all possible remedies.

Mr Regan has responsibility for a wider area of economic policy than Mr Stockman and is clearly more worried about the course of the economy. Late last week, the Treasury Secretary forecast that real growth in 1982 would be 2 per cent or less, compared to the Administration's earlier very high projection of a real 5.2 per cent rise in gross national product from the fourth quarter of 1981 to the last quarter of 1982.

Mugabe rules out state takeover option

BY OUR SALISBURY CORRESPONDENT

ZIMBABWE'S Prime Minister, Mr Robert Mugabe, has ruled out nationalisation as a policy option in one of his most forthright statements to date on state participation in the economy.

Addressing businessmen in the small town of Bindura some 50 miles from the capital, Mr Mugabe said his Government had inherited an efficient private enterprise system and would like to carry on with it. Provided businessmen conformed with state policy, they would "have nothing to fear."

But he warned that there could be no immediate improvement in businessmen's currency allocations which had been cut for the final quarter of 1981 by between 10 and 15 per cent due to the transport bottleneck which is restricting the country's export capacity.

In the past, Mr Mugabe and other Ministers have stressed the need for increased state participation in the economy, including the takeover of *strategic industries.* The statement made at the weekend is Mr Mugabe's most unequivocal concerning nationalisation since taking office 18 months ago.

The blowing-up of bridges on the Umtali-Beira railway last week by the Mozambique Resistance Movement, is unlikely to affect Zimbabwe's transport position, businessmen said at the weekend, our Salisbury correspondent reports. This is because virtually all traffic is using either the South African Railway system, or the Maputo line through Southern Mozambique.

But there is concern at the implications for the Beira-Umtali oil pipeline, which is due to come on stream again in six weeks, but was damaged in last week's attack.

An official for Lonrho, which owns the pipeline, said yesterday: "A section of the pipeline suspended from one of the bridges fell into the water during the attack. Repairs to the pipeline could take a week.

The Zimbabwe Government has confirmed that permission was refused to three minority political parties to hold rallies in Bulawayo this weekend.

New powers allowing the Minister of Home Affairs to ban party political gatherings were introduced last month because of the increase in tension which Mr Richard Hove, Minister of Home Affairs, said was being caused by "unduly large numbers" of such meetings.

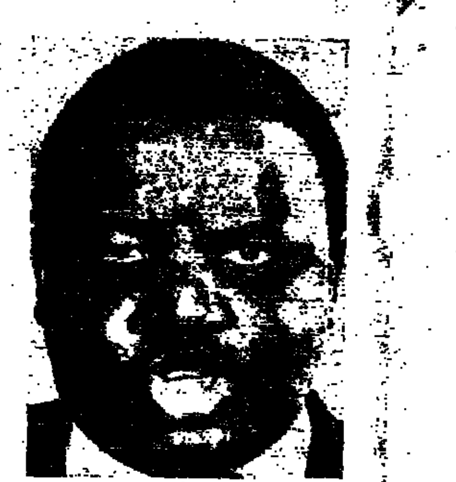
The Government banned a meeting due to have been held by the opposition United African National Council at which Bishop Abel Muzorewa, the former Prime Minister, was to have been the main speaker, while a meeting planned for Mr Ndabaningi Sithole's Zanu party was also banned. The ban also covered a meeting by the Patriotic Front (Zapu) party of Mr Joshua Nkomo, Mr Mugabe's coalition partner.

No reasons for the bans were given.

Mr Hove said last month that too many political gatherings were being held. There had been 52 political rallies in August, rising to 67 in September and 43 in the first half of October.

Recently there has been evidence of Ministerial concern at the growth of public criticism, especially of the Government's handling of the economy.

Specific targets of criticism include growing shortages of consumer goods on the shelves, with one supermarket manager saying on Saturday that it was harder today to stock his shelves than at any time during economic sanctions.



Mr Ndabaningi Sithole Party meeting banned

Inco to 'mothball' Guatemala nickel plant

BY GEORGE MILLING-STANLEY

CANADA'S INCO, the world's largest producer of nickel, is to mothball its Exmibal mining and processing operations in Guatemala in response to what a representative yesterday called "the deteriorating world economic situation."

The company said that the *operation which has a production capacity* of 25m lbs of nickel a year, was unlikely to *be able to operate profitably* in the foreseeable future, perhaps for as long as the next four to *five years.*

The mothballing of the plant means that Inco will have to write down the value of its investment of $220m (£122m) substantially, perhaps by as much as $180m.

This will be taken as a charge against any profits the company manages to make in the fourth quarter of this year, and seems certain to result in Inco reporting a large loss for the year.

The company's board will meet on December 7 to decide on the exact size of the write-down that will be necessary in the value of its investment in Guatemala.

A week ago, Inco reported a net loss of $29.4m for the third quarter, bringing profits for the first nine months of the year to just $40.3m against $182.5m at the same stage of 1980.

Inco owns 80 per cent of Exmibal with the remaining 20 per cent held by Hanna Mining of the U.S. The operation will be closed down early next year, and this will result in substantial reductions in the workforce.

The Guatemalan Government said it regretted Inco's decision, but recognised the economic realities of the situation.

The Canadian company first became involved in Guatemala in 1960. Construction of the Exmibal plant began early in 1974, and it came on stream in late 1978.

The operation has been a technical success, but its running costs have become unacceptably high, as a result of rising prices for the plant's substantial oil needs.

Canadian dissenters weaken

By Jim Rusk in Ottawa

THE UNITED front of eight Canadian provinces opposed to the plans for constitutional reform put forward by Mr Pierre *Trudeau, the Prime Minister, is* showing signs of crumbling.

Working up to today's meeting between Mr Trudeau and all 10 provincial premiers, which is to make a last-ditch attempt to find a compromise, several of the dissenter are showing increased flexibility.

The premiers' chief constitutional negotiator, Mr Allan Blakeney, Premier of Saskatchewan, has indicated he may agree to a Bill of Rights, such as Mr Trudeau wants, provided the present text is modified.

Officials from Saskatchewan and British Columbia, from the dissenting side, and from Ontario, one of the two provinces backing Mr Trudeau, have worked all week on position papers for a compromise that could gain support from other dissenters.

If they succeed, Nova Scotia and Prince Edward Island may also be swayed to Mr Trudeau's side. That outcome—the most optimistic of all scenarios being discussed here—would place six of the 10 provinces behind constitutional r[illegible]

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Brezhnev rejects Nato's N-weapon assessment

BY JONATHAN CARR IN BONN

THE SOVIET President, Mr Leonid Brezhnev, has firmly rejected the view of the North Atlantic Treaty Organisation that Moscow has "unacceptable superiority" over the West in intermediate-range nuclear weapons.

Mr Brezhnev says, in an interview published today in the West German magazine, Der Spiegel, that if anyone needs to boost armaments to meet a foreign challenge, it is the Soviet Union.

His views, given in reply to written questions, come just three weeks before the Soviet leader arrives in Bonn for talks with Chancellor Helmut Schmidt and a month before Moscow - Washington negotiations on the missiles issue.

Mr Brezhnev's comments indicate once more just how tough the negotiations are likely to be. On the one hand he stresses that there is no category of arms about which Moscow is not ready to talk with the West. But, in marked contrast to the Nato view, he says that there is at present a rough balance between East and West in the intermediate-range field.

He states that Nato has 986 weapons of this kind. More than 700 of them are from the U.S. (including aircraft based on carriers in the European region). In addition there are the 64 ballistic missiles and 55 bombers of Britain, and 98 missiles and 46 bombers of France. Russia, according to Mr Brezhnev, has 975 *similar* weapons.

The Soviet President agrees that Moscow's SS-20 missile has three nuclear warheads. But the total explosive power of those three is less, he says, than one warhead on older types of missiles which have been withdrawn. Thus, Mr Brezhnev maintains, the total strength of Moscow's intermediate-range nuclear potential has actually declined.

The West German Government has not so far commented on Mr Brezhnev's latest claims, but it has constantly stressed that it sees the Soviet build-up of SS-20s in particular as a serious disturbance of the military balance in Europe.

The issue is bound to be high on the agenda at Herr Schmidt's talks with Mr Brezhnev on November 23 and 24.

● Christopher Bobinski writes from Warsaw: Strikes involving up to a quarter of a million people continued in Poland over the weekend, despite appeals by Solidarity and Parliament, for an immediate return to work. Parliament has said it will consider granting the Government special powers to stabilise the country, if the strikes do not stop.

By-election defeat for ruling Singapore party

BY KATHRYN DAVIES IN SINGAPORE

PRIME MINISTER Lee Kuan Yew's ruling People's Action Party (PAP) registered a surprising defeat in a by-election in Singapore at the weekend.

A well-known local lawyer, Mr J. B. Jeyaretnam, 55, won the seat for the Workers' Party by a narrow margin. PAP officials had expected their candidate, Mr Pang Kim Hing, a mechanical engineer, to win the seat with a comfortable majority.

Mr Jeyaretnam, a long-standing political opponent of the Prime Minister, was making his sixth attempt to enter Parliament.

Mr Jeyaretnam, who was supported by all the other significant opposition parties, based his campaign on the need to end the one-party rule of the PAP which hold all 75 seats in the single-chamber Parliament. Mr Jeyaretnam will be the first opposition member to sit there since 1968.

IMF halts Dacca loan

BY K. K. SHARMA IN NEW DELHI

THE International Monetary Fund has suspended payments on a $912m (£507m) three-year loan to Bangladesh which was approved at the beginning of the year.

The suspension followed a finding by the fund that the Bangladesh Government's performance of the terms of the loan had not been satisfactory *and that performance criteria* were not being adhered to.

Bangladesh's primary failure *was its inability to keep within* agreed ceilings for Government spending, especially on commodity subsidies. The Government has claimed that some of its spending has been on higher support prices to farmers and that this had been recommended by the fund and other international agencies.

Suspension of the IMF payments has forced the Dacca Government to line up several short-term credits from commercial finance companies including American Express, Manufacturers Hanover Trust *and Morg Guaranty for a total* of about $200m, according to reports reaching Delhi.

EEC budget shock for Bonn

BY JOHN WYLES IN BRUSSELS

THE European Commission has provided fresh ammunition for West Germany's campaign to hold down its payments to the European Community budget. New figures prepared by the Commission show that by the end of this year the German net contribution to the budget will be nearly 50 per cent higher than in 1979.

The forecast, which updates estimates produced in the spring of last year, shows a much sharper-than-expected deterioration in the German budget payments position from 1.1bn units of account (£638m) in 1979 to an estimated 1.647bn units (£955m) this year.

France has emerged as a totally unforeseen beneficiary, drawing 423m units (£245.3m) last year and 624m units (£362m) this year instead of the 35m units (£20.3m) for the two years as predicted earlier.

Britain would be placed with *West Germany as the only large* net contributor in Brussels but for last year's agreement limiting its payments. *This guaranteed* rebates for 1980-81 of 2.55bn units (£1.5bn) which, on the Commission's *earlier estimates,* should have left Britain paying Brussels 609m units *(£313m) in 1980,* and *730m* units (£423m) in 1981.

As reported last month Britain's unadjusted payments are in fact turning out much lower than expected with the result that on the Commission's new estimates Britain's actual contributions look likely to be 346m units (£200m) for 1980 and 95m (£55m) this year.

The Commission argues that the big difference between its new figures and its earlier *estimates demonstrate the* hazards of even short-term budget forecasting. Bonn will claim, however, that whatever the difficulties its payments are stuck on a sharply-rising curve and that this trend must be halted.

Net EEC budget positions are *determined by the extent to* which Value Added Tax payments, customs duties and *agricultural levies each* member-state transfers to Brussels are offset by the *pattern of spending from the* Community budget.

The UK's unadjusted position has benefited from a number of factors, including a higher-than-*expected share on agricultural* spending.

The Commission's new *figures are unlikely to clarify* many of the issues in a budget negotiation. The majority of *member-states are opposed in* principle to helping West Germany, the largest and most *prosperous economy in the* EEC.

They are also determined to *drive a hard bargain* on proposed schemes to limit the UK's payments once last year's *May 30 agreement expires, in* 1982.

Air-conditioning seen as luxury

BY WILLIAM COCHRANE, RECENTLY IN FRANKFURT

"WE DO NOT know whether the Frankfurt commercial pro*perty market is 10 years ahead* of London, or 10 years behind," a German-based English property specialist said in Frankfurt at the weekend.

Mr Christopher Bull-Diamond, Frankfurt representative of the London-based firm of chartered surveyors and estate agents, Weatherall Green and Smith, was introducing the firms' new report on the German property market.

In short, Weatheralls say that demand for property in Germany is still 'reasonably strong," although the economic downturn has affected the market.

They add that the limited amount of new office building is restricting the supply of the *latter in many towns and cities.*

Weatheralls note that a significant proportion of prime investment properties, particularly in retailing locations, remain within the hands of private German investors and a number of them are uneasy about the economic and political situation.

These groups, the report says, are looking to other countries, including Switzerland and the U.S., as a safe haven for their investment funds.

Where Frankfurt being 10 years ahead or behind London comes in, Mr Bull-Diamond says, is the effect of increasing concern about energy supplies and costs which has become evident *in the federal republic.*

Air-conditioning has come to be regarded as an unnecessary *luxury in offices,* and demand for buildings incorporating this feature comes primarily from *international concerns.*

"The average German tenant," Mr Bull-Diamond says, "*does not* want to pay high rents, so he goes for basic accommodation."

Weatheralls predict, that, in overall terms, the remainder of 1981 and 1982 is likely to see a continuation of stable market conditions in most sectors of the property market.

كلمات الأصل

Fate of Bandar Khomeini hangs in the balance

BY CHARLES SMITH, FAR EAST EDITOR IN TOKYO

THE FATE of the $3bn (£1.6bn) petrochemical project at Bandar Khomeini in southern Iran where work has been stalled since the start of the Iran-Iraq war, is expected to be settled by negotiations starting in Tokyo this week.

The negotiations will be led, on the Iranian side, by the chairman of the Iran National Petrochemical Company, Mr Mostafa Taheri and on the Japanese side by a senior executive of Mitsui.

They will focus on the Japanese demand that the joint venture agreement under which the Bandar Khomeini project was launched 10 years ago should be revised to allow all future costs to be borne by Iran.

If the Iranians reject the Japanese proposal—as appears likely—the Mitsui group may decide to abandon the project and to seek compensation from a Japanese Government investment insurance fund.

Such a claim could cause serious domestic problems for Japan since Mitsui's net losses will almost certainly turn out to exceed the total reserve available for compensation.

Relations between the Mitsui group and the Iranians have been deteriorating since last April when Mitsui announced that it was withholding further disbursements for Bandar Khomeini pending a renegotiation of the basic contract.

Mitsui takes the view that it cannot be held responsible for damage and delays to the Bandar Khomeini project caused by the Iran-Iraq war. Since the war broke out in late 1980 the project site has been bombed repeatedly by the Iraqi air force.

No reliable estimates exist on the amount of damage done to the complex, which was 85 per cent complete when work was first interrupted in early 1979 by the Iranian revolution.

A decision on the future of Bandar Khomeini has become urgent because repayments are due to begin early next year on the principal of loans made by a group of Japanese banks to the Iran Chemical Development Corporation, the consortium formed by five Mitsui group companies to participate in Bandar Khomeini.

The Mitsui group has proposed rescheduling of the repayments but has received a non-committal response from the banks. If Mitsui and the other participants in ICDC simply continue to wait for the situation in Iran to return to normal, they will face losses that could easily run into hundreds of billions of yen.

Mitsui doubts whether Bandar Khomeini is viable, given a lack of available sources of feedstock. The project was originally intended to use associated gas from the oil fields of southern Iran, but the supply of this has shrunk drastically owing to a fall in oil production.

An alternative feedstock, naphtha from the Abadan refinery, ceased to be available after the refinery was destroyed by the Iraqis.

There are also doubts whether Iran is in any position to deliver feedstock to Bandar Khomeini even if it is available. Work has halted on a contract originally let to a U.S. company to build supply lines to the plant.

The talks are expected to begin with a review of data provided by the Iranian side to prove that the Bandar Khomeini project is still viable. After that the two sides will address the central problem of who is to pay for any future work on the project.

The talks are expected to last about four days and are being described as "final." If they fail it seems unlikely that the Bandar Khomeini project will be completed in anything like its present form.

£18m paper machine order for Beloit

Financial Times Reporter

BELOIT WALMSLEY, the Lancashire paper machinery manufacturer, has won an £18m export order from India, the biggest single order in the history of the company, founded 113 years ago.

The company is part of the Walmsley (Bury) Group, itself a subsidiary of Beloit Corporation of the U.S.

The machine will be built at the three Beloit Walmsley factories, in Bury, Bolton and Wigan, where 1,200 are employed.

Mr Brian Barlow, Beloit Walmsley sales director, led a sales team in two years of negotiations to win the order over the opposition of German and Finnish machinery manufacturers.

Announcing the order, Mr Barlow said: "Our equipment will play an important part in a plan to produce more newsprint, writing and printing papers to improve education."

The new contract comes only five weeks after the company announced export orders worth £13m to supply papermaking equipment to South Africa, Scandinavia and India.

DAVY'S £334M. MEXICAN CONTRACT

Finance package proves seductive

BY WILLIAM CHISLETT IN MEXICO CITY

WHEN HE was the UK Minister for Trade Mr Cecil Parkinson used to have the occasional round of golf with Sr Arturo Garcia Torres, the financial director of Sidermex, the Mexican state steel holding company.

Those games were a small part of the web of personal relationships built up in the two and a half years of negotiations which led to Davy Loewy, part of the Davy Corporation in London, winning a £334m contract to build a steel platemill in Mexico.

Such personal relationships were important. Foreigners often overlook the point that Mexicans tend to judge the degree of commitment from a company or a country on how well they know the people involved.

Clearly Sr Garcia Torres was a key figure in the negotiations, since it was the financial arrangements which finally won the deal for Davy, particularly a UK Government grant of £34.9m. The financing was arranged by Lloyds Bank International.

There were three main factors which led to Davy winning the largest contract put out to tender by the Mexican public sector:

- the Davy bid was by far the lowest;
- the financial package which, apart from the grant, included a £195m loan covered by the Export Credits Guarantee Department, was also the best;
- Davy had the wisdom, unlike its competitors, to form a joint venture with Desarrollo Tecnico, a leading Mexican construction company, for the local content of the equipment needed, thus responding to the Mexican Government's keen desire to foster the joint venture principle.

Davy's bid was £234.7m less than that submitted by the Japanese consortium headed by Mitsubishi, £82.6m less than the Franco-West German consortium comprising Creusot Loire and Schloemann and Sachs, and £36.9m less than the U.S.-Italian consortium of Mesta and Italimpianti.

Ironically, everybody, including the Mexicans, assumed that the Japanese consortium would win the contract. Japan has the greatest experience in building platemills around the world. The Japanese Government is well known for coming up with cheap credit to push private sector interests. And two Japanese steel giants, Sumitomo and Mobe Steel, already have a close relationship with the Mexican Government through two joint ventures.

Given this situation, Davy decided to pursue the contract for the mill, to produce 1.5m tonnes of steel plate a year, even more vigorously.

It regarded the contract as its entry ticket to the big league of platemill deals, traditionally dominated by the Japanese. The widest steel plate that Davy has so far built is 3.6 metres and the Mexican project is for 4.3 metres.

At least one top Davy executive visited Mexico once a month. The company's representative in Mexico City made a point of keeping in touch with key Mexican steel officials every week.

At the same time a significant diplomatic flag-waving exercise was mounted in Mexico. This included two visits by Mr Parkinson.

Davy submitted its rock bottom bid on September 17, well aware that the new Mexican law on competition does not allow any price negotiations once the bid is placed.

The Japanese consortium misjudged this point and later, to Mexican annoyance, offered to lower its price to match the Davy bid. Technically speaking, the Japanese offer was the best, but the price difference was enormous.

On the bid day, Davy played the grant card, which it had been holding up its sleeve, anxious to ensure that no competitor would use the same tactic. The Mexicans had suspected there might be a grant, but not on the scale of £34.9m.

Despite the low bid, the contract was not sewn up. Indeed the month between the opening of the bids and the day the Mexican negotiators planned to award a letter of intent, on October 19, was tense.

President Mitterrand of France had a state visit to Mexico on October 19. As the French consortium also offered to lower its price and to offer financing for the whole price of its bid, Davy executives feared that if the award of the letter of intent was postponed, President Mitterrand might influence the Mexican decision.

The Mexican negotiators came back to Davy. Unless two points in the financial package were improved, then the chances of winning the contract would be diminished. These were an extension of the grace period on the ECGD-backed loan from five to seven years and more export credits to cover a portion of the Mexican content.

There were frantic calls to the Department of Trade in London. Lloyds had already reduced costs on the ECGD financing to an absolute minimum but were anxious, having bent over backwards to meet the Mexicans, not to lose at the final post.

The British Government agreed to meet both points and once this was relayed to the Mexicans, the matter was clinched for Davy.

Reagan faces imports dilemma

BY DAVID BUCHAN IN WASHINGTON

THE REAGAN Administration faces the prospect of rising protectionist pressures at home, owing to a widening trade deficit, just as it has stepped up its call for developing countries to earn their way by exporting, rather than relying on aid.

This acute dilemma emerged from last week's trade policy hearings on Capitol Hill, and from the Administration's own latest trade forecasts. September's trade deficit narrowed sharply, as the onset of recession depressed U.S. demand for foreign oil.

But the strong dollar, blunting the price edge of U.S. exports, will probably push the 1981 trade deficit above the 1980 shortfall of $36.36bn (£19.6bn), the Commerce Department has predicted.

"We should not be alarmed if the trade deficit increases as our economic policies begin to revitalise the U.S. economy," Mr Murray Weidenbaum, the top Reagan economic adviser, told the House trade subcommittee. But Representative Sam Gibbons, the subcommittee's chairman, believed Congress was already taking alarm and cited recent efforts to limit meat, textiles and dairy imports as proof.

Mr Bill Brock, the White House trade negotiator, reiterated to Congress President Reagan's theme at the Cancun North-South summit. He stressed the need for better market access for third world exports because this would give the money to buy U.S. goods. "The more we encourage their development, the more they will encourage ours." Mr Brock told the House panel.

The costs to U.S. consumers of protectionism was tellingly pointed up in a speech on Friday by Mr A. W. Clausen, President of the World Bank. He cited studies showing that steel trigger prices cost steel users in the U.S. $6bn a year, and the cost of each U.S. textile job protected by the Multi Fibre Arrangement was $80,000 a year.

The Reagan policy towards developing countries also put great stress on the need for bigger flows of private investment to the third world.

But the Admiinstration is most unhappy about the growing use—not only in the third world — of "trade-distorting" investment policies by foreign governments. In particular, it dislikes local content rules and the requirement placed on foreign investors by a host government to export a certain minimum volume or percentage of their output.

Montedison protest on prices

By James Buxton in Rome

MONTEDISON, the leading Italian chemical group, said that Montepolimeri, its plastics subsidiary, is temporarily to stop selling low density polyethylene, one of its major produts.

The step has been taken in the hope that other chemical producers will follow suit and end what it calls the "foolish waste of resources" entailed in selling the product far below levels which ensure even a minimum profit.

Montedison, which normally sells about 430,000 tonnes of low density polyethylene (LDPE) a year both in Italy and on the European market, said that while raw material costs have risen 30 per cent since 1980, the price of LDPE has remained substantially unchanged.

SHIPPING REPORT

China enters the market

BY ANDREW FISHER

THE CHINESE injected a spark of interest into the shipping market last week by chartering a vessel to carry grain from the U.S. Gulf.

This was the first such chartering to China for some time, with a rate of $31 a ton paid for a 33,000 deadweight tonne ship to go in the first half of this month.

Elsewhere in the grain market, the 82,500 tonnes Tiberius was chartered for up to 16 months of trading across the Atlantic to Europe at between $10.50 and $11.50 a tonne.

Reports from the U.S. that the Soviet Union intended to ship about 1m tonnes of grain from the U.S. this month drew the comment that the market would only benefit if much of it was shipped in vessels not under the Soviet flag.

As usual in recent months, the tanker chartering market was dull. "London especially has been very drab," noted Galbraith Wrightson. It saw no likelihood that the latest Opec meeting on oil prices in Geneva would aid the depressed market.

"There is more than an ample supply of crude oil on the water and in store, and any increase in prices will surely only force the consuming countries' governments in these days of high interest and inflation levels to impose even more energy-saving programmes."

Galbraith considers that a further cut in oil output could not be ruled out at this stage. With an excess of large tonnage in the Gulf, rates are around Worldscale 23 for cargoes to the west and Worldscale 29 to the east.

Saudi contract demands

BAHRAIN—Foreign companies seeking Saudio Government contracts must fulfil three fresh conditions, according to Mr Abdel Rahman Al-Zamel, Saudi Under Secretary of Commerce, Reuter reported.

Speaking on the telephone, he listed the conditions as:

- the provision of a full report on their financial standing from banks recognised by the Saudi Arabian Monetary Agency:
- the provision of financial statements for the two years previous to their invitation to bid;
- the submission of reports jobs done similar to those carried out in Saudi Arai

WORLD ECONOMIC INDICATORS

RETAIL PRICES

(1975=100)

	Sept. '81	Aug. '81	July '81	Sept. '80	
UK	223.3	222.0	220.4	200.4	[illegible]
U.S.	173.0	171.5	170.2	156.1	[illegible]
France	191.6	189.5	187.1	168.3	[illegible]
W. Germany	130.8	130.1	129.7	122.7	6.5
Italy	261.6	257.7	255.3	220.3	18.7
Netherlands	146.9	145.3	144.5	136.8	7.4
Belgium	149.0	147.7	146.9	137.5	8.4
	Aug. '81	July '81	June '81	Aug. '80	
Japan	143.6	144.2	144.8	139.9	4.1

Source: Eurostat (except U.S.)

UK NEWS

TSBs allowed to raise lending

BY WILLIAM HALL

BRITAIN'S 16 Trustee Savings Banks (TSBs) have been given permission by the Treasury to increase their lending by a quarter, or some £250m, in their new financial year which begins later this month.

The agreement, which was finalised a fortnight ago, is the latest stage in the transition of the TSBs into fully-fledged banks.

At present, they are tightly controlled by the Government but the intention is that over the next few years the controls will be dismantled and the banks will be put on the same competitive footing as the other High Street banks.

As part of the process, the TSBs — which have 8m customers and more than £6bn in assets—were permitted to move into personal lending in August 1977. In May 1979, they moved into small-scale commercial lending and in November launched a national home loan scheme.

In July of this year, following the agreement of the Treasury and the Bank of England, they announced they were entering the medium-term wholesale commercial lending field and had been given permission to lend up to £300m between now and the end of 1983.

The latest agreement with the Treasury outlines the permitted growth in the TSB's consumer lending and mortgage lending for the 12 months to mid-November, 1982.

TSBs are permitted to increase their outstanding mortgage lending from its current level of around £270m to £450m, implying an increase of £180m of new lending during the forthcoming year. As the TSBs have been lending just under £1m every working day recently, the permitted increase in new mortgage lending implies a cut in the rate of new lending.

The TSB's ceiling for consumer lending generally—excluding mortgages but including Trustcard, the credit-card operation—is being increased to about £450m, while the small-scale commercial lending limit is being raised from the present £25m to £75m by end 1982—implying an increase of about £50m.

Aside from negotiating the increase in their permitted lending over their next financial year, the TSBs are also debating the kind of structure they will need when they achieve full banking status, and complete the current transitionary period.

The present federal structure ensures that TSBs do not lose their regional individuality, but presents problems when national policy decisions have to be approved.

There are also questions over the status and ownership of the regional banks which are unincorporated societies.

Trustcard TV campaign

BY ALAN FRIEDMAN

A £700,000 national television advertising campaign was launched over the weekend by Trustcard, the credit card subsidiary of the Trustee Savings

three-week campaign to card-holders, is the first Trustcard was launched years ago. It marks the a voluntary moratorium on advertising which the bank has been observing to comply with the Treasury's request to restrict card solicitations to in-branch activities and direct mail advertising.

Mr Ken Cherrett, general manager of Trustcard, said yesterday that more than 1.5m trust cards had been issued since 1978. This represented a 12 per cent share of the UK personal credit card market, he said.

British shipbuilders merchant orders up

By Andrew Fisher,

TOTAL SALES of merchant ships by British Shipbuilders could total between £450m and £500m this year, with orders worth £240m already announced in the first eight months.

The nationalised corporation now has a merchant order book of nearly £680m, well up on recent years. Major orders in the past few months have come from Hong Kong, Greece and Canada.

After last week's trade memorandum, talks are under way over possible orders from Brazil, as well as from several developed Commonwealth countries and other potential customers in South America and Asia.

The group reckons it can keep its workforce at current levels after the sharp reductions of past years. It revised its corporate plan after the defence cuts announced in June. These will start to hit its £2bn warship order book in about a year.

It will continue to need government intervention Fund money to make up the difference between building costs and world market prices. But the amount has already come down from £85m in the financial year 1978-79 to £45m in 1981-82 and is being reduced further.

The labour force on the merchant side has fallen from over 34,000 four years ago to around 24,500. Despite recent labour disruption over the closure of the small Robb Caledon yard in Dundee, BS is hopeful that customers have not been deterred.

In the warship division, employing nearly 25,000 people, talks are going on with the Ministry of Defence.

British Shipbuilders, which expects further reductions in its losses after last year's fall from £110m to £41m, reckons there is an export market for over 170 warships over the next five years.

Inquiry may prompt budgetary reform

BY PETER RIDDELL, POLITICAL EDITOR

PROPOSALS to reform the budgetary system by presenting expenditure and revenue plans at the same time are to be considered by an all-party committee of MPs.

The Treasury and Civil Service Committee, chaired by Mr Edward du Cann, will conduct an inquiry during the next two months.

Coincidentally, a number of senior ministers have been pressing for a Cabinet say in the broad shape of the Budget, notably about tax decisions, in addition to its traditional involvement in spending issues. In practice this would mean that spending and revenue issues would be decided alongside each other.

The Treasury committee will carry out its budgetary inquiry simultaneously with a review of the economy, updating its report produced after the Budget last March.

The committee's specialist advisers will be starting work soon, though the main public hearings will probably not be until after the Government's economic statement and the Treasury's half-yearly forecasts are published around the end of this month.

The main witnesses are likely to be Sir Geoffrey Howe, the Chancellor, and Mr Gordon Richardson, the Governor of the Bank of England.

Some MPs on the committee are keen that the economic inquiry should focus on interest rate and exchange rate policy.

The inquiry will take the report published last year by an Institute for Fiscal Studies committee chaired by the late Lord Armstrong of Sanderstead as its starting point. This recommended both the publication of revenue and spending proposals alongside each other and a provisional Budget in December each year.

This would allow time for full public debate before the announcement of revised plans at the start of each financial year.

When the Armstrong report came out, the Treasury committee welcomed the main recommendations for the presentation of a provisional Budget. Treasury Ministers are cool to this idea, though they are sympathetic to suggestions for the simultaneous publication of revenue and spending plans.

Air UK now flying Stansted-Amsterdam

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

AIR UK, an independent airline, starts regular scheduled flights today between Stansted Airport, Essex and Amsterdam.

Using Fokker F-27 twin turboprop engined airliners, Air UK will make 12 return flights weekly between Stansted and Amsterdam, starting what the airline hopes will become a major network of Continental services from London's "third major airport."

Mr Peter Villa, managing director of Air UK, said that whatever the outcome of the present public inquiry into further extensive development of Stansted, "we are convinced that the airport as it exists now will attract a lot of passengers, given the right kind of services from it."

● Air Coach, a daily coach service linking Southern England and South Wales with Heathrow and Gatwick, was launched yesterday by National Express in association with British Airways at fares substantially below British Rail's.

National Express's hourly Shuttle services to Heathrow will continue, the company said.

The Air Coach services leave for Heathrow at two-hourly intervals from Cardiff, Newport and Bristol. For Gatwick a direct service runs from Bristol with connections from South Wales.

From Bournemouth and Southampton there will be a direct three-hourly service to both airports.

● The fares war between airlines flying from London to Hong Kong is intensifying, with plans by Cathay Pacific Airways to offer free stop-overs at Bahrain.

Cathay Pacific, which operates daily from London to Hong Kong via Bahrain, has introduced two-night stop-overs for passengers who wish to break the 15-hour journey.

Passengers now can pay a discount hotel rate, but the airline hopes that soon a deal with the Bahrain Government will be made to allow free accommodation.

British Airways and British Caledonian, Cathay's competitors on the route, offer no stop-overs there.

Mr Fionn Holford-Walker, national secretary of the Council for the Protection of Rural England, said at the week-end:

● "The official campaign to persuade the British public that heavier lorries are good for them has failed.

"The Government should now resist the EEC's appalling proposal to raise Britain's maximum lorry weight by 25 per cent to 40 tonnes with all its might."

Speaking at the annual meeting of the Hertfordshire Association of Local Councils at Hertingfordbury, near Hertford, Mr Holford-Walker said: "While Hertfordshire might consider itself relatively well-off with a well-developed network of primary roads, we must not forget that an improved traffic corridor is planned to service industry and its heavy freight from Swindon, past Oxford and Luton to Stevenage."

Channel ferry fares may rise by up to 15%

By Andrew Fisher,
Shipping Correspondent

BRITAIN'S loss-making ferry companies are expected to decide fare increases of up to 15 per cent on their cross-Channel services in the next few weeks.

For some time, the companies have been saying that passenger and freight rates are too low. But none has yet been willing to take the lead in putting them up after the price war of the past two years.

P and O Ferries, which lost £5.2m in the first half of 1981, said it was imperative to achieve a good investment return. "Prices must rise by at least 15 per cent," the company said.

Sealink, which is owned by British Rail, is considering similar increases. It hopes to have its 1982 passenger and car fare brochure ready by early December after talks with its European partners.

P and O wants to close the Liverpool to Belfast service, which is losing more than £1m a year, to stem its ferry losses. European Ferries, which owns Townsend Thoresen, lost more than £9m on shipping in the first half. Around the end of November, it will know whether it can go ahead with a bid for Sealink.

The Government is this week due to receive the report on European Ferries' bid intention after a six-month study by the Monopolies and Mergers Commission. Publication will be a few weeks later.

Sealink is opposed to the bid, or to being sold off piecemeal as suggested by P and O. The Government intends to sell it to the private sector once it becomes profitable again.

Decline in openings for apprentices

BY ALAN PIKE

IMMINENT Government decisions about the future of industrial training will be announced against a background of alarming evidence that apprenticeship opportunities are continuing to decline.

In the engineering industry — where some of the most acute skill shortages have been experienced at the end of previous recessions — craft and technician intake this autumn is the lowest ever recorded. Companies have taken on fewer than 12,000 apprentices and, although a further 4,000 places are being funded through the Engineering Industry Training Board, it is estimated that there should have been 20,000 new apprentices this year to meet the industry's future manpower requirements.

A similar picture is emerging in other sectors of industry as training organisations assess their autumn apprentice intake.

In road transport, the number of apprentices recruited in 1980-1981 was 6,359, little more than half the 1979-80 total of 12,098. The Road Transport Industry Training Board estimates that there will be another dramatic drop to around 3,500 young people in the 1981-82 intake.

Apprentice intake in the construction industry, which has highly-developed training arrangements, has held up relatively well in view of the impact of the recession in the sector. But even here the 1981-82 intake of building apprentices—6,283—falls short of the 7,530 last year.

In the printing industry, where unions are mounting a campaign to save the sector's statutory training arrangements, 1981 apprentice intake is expected to be around 1,000, compared with 1,400 in 1980 and 2,000 in 1979.

A report by the Joint Apprenticeship Panel for the Printing Industry points out that unless this trend is reversed during the next two years, the number of apprentices in the industry will fall dramatically as the relatively high intakes of 1978 and 1979 complete their training.

"Any dramatic reduction in the number of apprentices could have a consequential effect on the availability of skilled manpower within the industry in subsequent years, and will have a serious effect on the ability of some colleges to maintain printing courses for apprentices."

Evidence of the continuing decline in apprenticeships will help ensure that the argument over whether future industrial training arrangements should be on a statutory or voluntary basis is unlikely to end when Mr Norman Tebbit, the Employment Secretary, makes a statement on the subject shortly.

The Manpower Services Commission, which runs the employment and training service, has recommended that, at a minimum, statutory industrial training boards should survive in the engineering, construction, ceramics, clothing, hotel and catering, road transport and rubber and plastics sectors.

It is expected that Mr Tebbit will decide that statutory boards must be retained in some sectors. But trade union leaders in areas where the Government opts for voluntary arrangements will keep up the argument for statutory boards, believing that this is the only way of achieving wider objectives of reforming industrial training. Government decisions on how to approach these objectives—changes in apprentice, adult and vocational training—are likely by the end of the year.

Biotechnology research project gets wider investment backing

David Fishlock reports on a Government initiative to support work on industrial microbiology

MORE THAN a dozen disparate British companies with research and development activities associated with biotechnology are putting their names to a new Government initiative to support the research base for this emerging technology.

They include drug companies (Glaxo, Beecham, Wellcome), food companies (Unilever, RHM, Tate and Lyle), engineering companies (Davey, Dunlop), oil companies (BP, Shell) and assorted others such as APV, Allied Breweries and Amersham International.

They are supporting the creation by the Science and Engineering Research Council (SERC) of a directorate devoted to the support of research and development in biotechnology. Biotechnology is the fashionable name for industrial microbiology, the harnessing of living organisms to industrial processes.

The technology has been given a big fillip by the discovery of "genetic engineering," the techniqe of tinkering with the genetic make-up of living matter. It opens up boundless new possibilities for putting living organisms to work.

People knowledgeable about biotechnology are worried, however, that a lot of the investors supporting biotechnology with enthusiasm today "may not be patient enough," to quote Dr Duncan Davies, chief scientist and engineer at the Department of Industry.

He added: "What we want in this field perhaps more than any other is cash flywheels."

The new biotechnology directorate will help to sustain support through the decline and fall of enthusiasm he foresees in the next few years, as its problems move into the more costly development phase.

It has taken three years to get two of SERC's research funding boards—those for science and engineering—to agree on the basis for SERC's support.

The new directorate—the fourth such special directorate set up for a new technology by SERC—will be based in Swindon, at SERC's headquarters, and headed by Dr Geoffrey Potter, head of the engineering board. It is guaranteed initially by SERC for five years.

SERC is already providing about £1m a year of specific support for biotechnology research projects. Dr Potter estimates that its total commitment may already amount to as much as £5m. He expects to raise its annual funding to £2.25m by 1983-84.

Projects funded by the directorate, however, will still be subject to the same exacting scrutiny for quality of the proposal as SERC's projects generally, but the way is open for industry as well as the academic world to put up proposals.

The industrial companies associated with the scheme are all groups with research programmes and an established interest in biotechnology. Waiting in the wings is the Department of Industry, whose research requirements boards are expected to come in at the development stage, when costs per project can run into six figures.

From industry, the biotechnology directorate will be wanting proposals for joint ventures, in which industry itself will put up part of the cash. Similarly, it hopes that local authorities might be drawn into joint ventures, for example in waste treatment, using the new techniques.

Dr Potter said that above all the directorate will be depending on academics to come forward with good proposals. Currently, all the biotechnology ventures supported by SERC are in universities, polytechnics, etc. It has no biotechnology research in its own laboratories.

The Government has been criticised for failing to respond to the proposals of the Spinks report on biotechnology last year, which urged the creation of another 20 chairs of biotechnology in British universities.

Those behind the directorate —both from industry and academe — see the problem differently. Sir Geoffrey Allen, recently retired as chairman of SERC, believes that in this emerging technology with so many possibilities there are still big problems in getting industry itself to define what it wants from biotechnology.

Another big problem is that—like control engineering two decades ago—it is a field that must bring together two previously very disparate subjects, in this case biology and engineering. He reflects wryly on the problems he had to bring the two research funding boards together within SERC.

Dr Potter said: "We shall have to work hard to encourage more process engineers to get into the game."

Government laboratory to expand its programme

BY DAVID FISHLOCK

MAJOR CHANGES are foreshadowed for the Department of Industry's Laboratory of the Government Chemist near Waterloo Station, London.

The biggest Government laboratory in London, it will remain the most important national centre for chemical assays, but its duties will be expanded to include the development of instrumentation and the control for biotechnology processes.

The laboratory is to move from London to Teddington where it will share the site of the Department of Industry's National Physical Laboratory.

The changes are to take place under the direction of Dr Ronald Coleman, now deputy director of the National Physical Laboratory who takes up his appointment as Government Chemist next month.

Dr Harold Egan, the present Government Chemist, is retiring.

In the past the laboratory has been best known to the public for compiling the "league table" of cigarette brands based on their tar and nicotine content and for the "smoking machines" used to produce these tables.

With the laboratory's move to Teddington, biotechnology will have moved a full cycle in about two decades. The National Chemical Laboratory there, which had been closed by a previous government, had included a research programme in biotechnology among its duties. It was then called industrial microbiology.

Flourishing Exco likely to prove big draw

Ian Rodger looks at the background to an offer by top money broker of a third of its shares

EXCO INTERNATIONAL, one of the big four London money brokers, is offering about a third of its shares to the public later this week. This opportunity of profiting from continued international financial instability seems likely to appeal to a lot of investors.

Money broking has been one of the fastest growing and most profitable sectors of the financial industry in the past few years. Rapid movements in international interest and exchange rates brought a rush of business as banks sought the best terms for transactions.

London-based companies dominate the sector worldwide and last year their profits rose an average 30 per cent. Recent reports from quoted companies indicate that this year profits are growing even faster.

Pre-tax profits of Mercantile House Holdings, the largest company in the sector, were up more than 2.5 times to £5.5m in its second half to April 1981 while profits of R. P. Martin, the other quoted money broker, more than doubled to £1.4m in its second half to June. Mills and Allen, which owns Harlow, Meyer, Savage, the other major broker, said profit of its financial services division was up 22 per cent to £3.6m in the year to June.

Exco, the holding company for Astley and Pearce and Godsell and Co, is keeping quiet about its progress pending publication of the offer prospectus on Thursday. But there is unlikely to have been any loss of momentum from last year, when profits were up about 50 per cent to £4.8m, excluding the £1.1m nine-month contribution from the Godsell acquisition.

Formed in 1931, Astley and Pearce had become the largest London money broker by 1967 when it was acquired by P. Murray Jones, backed by another broker, Gerrard and National, the discount house. Murray Jones used Astley as a base for diversification with indifferent results, and Gerrard and National bought out its partner in 1975.

The company rapidly regained ground, consolidating its foreign New York acquisition and a trail-blazing Tokyo venture. In August 1979, its executive directors arranged a management buy-out when Gerrard and National, in common with other discount houses, decided it no longer wanted to be in the money broking business.

The £4.2m deal was financed largely by St Mary Axe, the investment company 69.2 per cent owned by British and Commonwealth Shipping, and which is changing its name this week to Cayzer, Gartmore.

Astley executives ended up with 70 per cent of their company and St Mary Axe 30 per cent in convertible loan stock. Early this year, Exco raised £2.9m from unit trust funds managed by Save and Prosper to finance the Godsell acquisition, in return for an 11 per cent stake, diluting St Mary Axe to 25 per cent and the executives stake to 64 per cent.

Astley and Pearce's main areas of specialisation are dollar-yen and dollar-Swiss franc deals while Godsell is the market leader in spot dollar-sterling. Profits of the whole group last year were £5.9m before tax on turnover of £27.6m, including £3.4m from the 36 per cent-owned New York associate. At the trading level, Astley contributed £6.07m and Godsell £1.1m in nine months.

After the offer, which is being made by N. M. Rothschild, Exco will have 30m 10p shares in issue. About half the offer will be existing shares sold by executives and half will be new shares. The company is raising money to pay off loans incurred in previous acquisitions and to meet its $14.1m share of the cost of buying the U.S. company, Telerate, which was announced 10 days ago.

The price of the offer is yet to be fixed, but the group is aiming at a prospective fully taxed p/e of about 9, halfway between the ratings of Mercantile House and R. P. Martin.

Assuming profits this year of about £8.5m—and there will not be a forecast in the prospectus—a launch price of around 150p seems likely.

Exco's growth prospects are difficult to assess. It is in a volatile business and if the volume of foreign currency transactions were suddenly to drop significantly for any reason, all money brokers would be stuck with high overheads and few other sources of income to fall back on.

Another risk is that foreign exchange controls could return to Britain, stifling local money markets. However, less than a third of Exco's business is now UK related and Mr Gunn said he was not interested in acquiring other London money broking businesses.

Mr John Gunn, managing director of Astley and Pearce

EEC steel users condemn plans for up to 15% price increases

BY ALAN PIKE

PROPOSALS FOR steel price increases of up to 15 per cent in January were roundly condemned by representatives of leading European steel using industries at the weekend.

Representatives of British, German, French, Danish and Dutch steel consumers all argued forcefully against the proposed increases at a meeting of the markets and prices subcommittee of the European Coal and Steel Community.

They stressed that any further rises in steel prices would have a severe impact on the competitiveness of manufacturing industry.

Eurofer, the European steelmakers' club, and the EEC Commission are jointly committed to restoring the steel industry to stability and profitability, and the New Year price rises are the latest steps to this objective.

Members of Eurofer initially decided that the increase should be 15 per cent although present indications are that it is likely to range from 12 to 15 per cent.

Viscount Etienne Davignon, the EEC Industry Commissioner, is expected to announce the Commission's view on the increases shortly—possibly later this week. This will be followed by the publication of some form of EEC target prices.

But if the steel users are dissatisfied with the commission's decision they intend to try to change it before it comes into effect. Some manufacturers fear that the commission has become so passionately involved in resolving the steel crisis that it is in danger of neglecting the impact of its actions on other sections of industry.

Mr John Safford, director of the British Iron and Steel Consumers' Council, warned at the consultative committee meeting that if the threatened renewal of anti-dumping actions by U.S. steel producers closed off the American market to Europe—as happened the last time anti-dumping suits were filed—there would again be a big surplus of steel in Europe.

● *Krupp-Stahl*, the German steel company, won a partial victory on Friday in the European Court of Justice, which accepted that Krupp's capacity had increased by 15 per cent in 1980 after a new preheating plant was opened and not by the EEC Commission's estimated 9.5 per cent. Krupps was therefore given a higher production quota for the last quarter of 1980, but not for the first quarter of 1981, despite its request.

Boost in carpets trade forecast

FINANCIAL TIMES REPORTER

WORLD production of carpet-type wools would be about 10 per cent greater in 1986-1987 than in the 1979-80 season. But since the total market in carpets is expected to grow even faster, wool's relative share will decline.

These forecasts were made at a Textile Institute conference in Droitwich by Dr Richard Janes, carpets director of the International Wool Secretariat.

Dr Janes also predicted that there would almost certainly be an increase in international trade in carpets, with Africa, the Middle and Far East and Eastern Europe growing in importance.

Reviewing seven of the leading markets, Dr Janes said wool consumption in woven carpets had fallen by 8 per cent in 1980, but as fibre consumption fell 12 per cent, wool continued its upward movement in market share, now accounting for 51 per cent of offstake.

In the newer tufted carpets field, total fibre consumption in the seven markets in 1980 was 88 per cent of the previous year's total. But wool consumption rose to 106 per cent.

Brokers' rate review breaks precedents

BY CHRISTINE MOIR

THE FIRST review of Stock Exchange commission rates for five years will be tabled at the Council meeting tomorrow. The half-inch thick document will then be the subject of a full council debate on November 17 before seeing the public light of day as a Green Paper at the end of the month.

In several ways the latest review — there were two in the 1970s — represents a significant departure from its predecessors.

In the first place, it does not simply adjust current commission rates in line with demands from member firms, but is the result of deep investigations into the profitability of broking firms. The decisions arrived at are the result of those investigations and the background is fully explained.

For the first time, therefore, the financial health and prospects of broking firms will be publicly displayed.

In the second place, the review is not intended as a private affair to be vetted by the council alone before being published as the dictat of the Stock Exchange.

The exchange is taking the opportunity significantly to widen its consultation systems to users of the market. It intends to publish the document as a discussion paper early in December and to distribute it widely to all users of the market.

This review takes on further importance because it comes in the middle of the lead up to the Stock Exchange's appearance before the Restrictive Practices Court to defend — among other things — the entire principle of maintaining fixed commission rates instead of allowing firms to negotiate rates with clients.

The reference to the RPC held up work on the review which was initially commissioned in April 1978. It also means that the committee, now chaired by Mr George Nissen, has steered clear of the question of whether rates should be fixed or freely negotiated.

However, the committee has not avoided other thorny issues, such as the charge for large deals in the gilt-edged market.

Institutions have argued for nearly two years that the charges imposed by the current rate card are unconscionable if compared with the actual work entailed for the broker in carrying out long gilts transactions.

Another major problem area involves the double charging created under present rules when brokers carry out deals in U.S. securities through an American broker. The rule says that London rates must be charged on top of the U.S. commission which has made the market very uncompetitive for London-based brokers.

CONTRACTS

BABCOCK-BRISTOL LIMITED (a member of the Babcock Industrial and Electrical Products group) has completed in record time a crash £7m instrumentation and control contract to re-equip a burnt-out power station for the Government of Kuwait. It required, in the words of manufacturing director John Forward, "Two years' work in nine months." On July 3, 1980, fire destroyed the control room of Shuaiba South power station. This 720 MW station provides much of Kuwait's generating capacity, and it was imperative to restore supply before summer 1981. On August 7, 1980, the Kuwait Ministry of Electricity and Water issued a letter of intent, and on September 10 a final contract to Babcock-Bristol, for new sequence and modulating control equipment, transmitters and control-room panels for the boiler turbines on all six units.

The company's Power and Water Division at Croydon established a special team to handle the project headed by staff seconded from the Contract Management Division, and also including analogue and digital systems engineers, and mechanical and electrical design and drawing office staff. The first deliveries of equipment were made in late October 1980, with main deliveries in January and February 1981. The Babcock-Bristol Field Services Division commenced installation on November 1, finishing the work by mid-February. Some 66 km of cable were laid and terminated in this time, and some 400 plant items erected, including control gear housings and the main control-room panels. Commissioning began in early January 1981. Units one and two were pre-commissioned by end-February and handed over by April 1. A 30-day reliability run was successfully completed on May 1. Units three and four were accepted four weeks later, precisely to programme, ready for summer demand. Field Services assembled a site team of 22 engineering and management staff to meet the installation and commissioning commitment, which accounted for some £2m of the total contract value.

*

A new 32-bed private medical and surgical hospital is being built at Southend under a £1.46m design and build contract awarded to **Y. J. LOVELL (MIDLAND)**. It is the third such contract to be won by a Lovell Construction company. The Southend Clinic is being developed by a consortium comprising Y. J. Lovell (Holdings) Limited, Seltahart Holdings Limited and a group of 36 medical consultants. Additional long-term finance is being provided by the Midland Bank Limited and Forward Trust Limited. Sited on the eastern fringe of Southend, the project will be almost identical to one being built by the same company at Solihull, on the outskirts of Birmingham. A third hospital is already functioning successfully at Clare Park, on the Surrey, Hampshire border.

Slower recovery from recession expected

Max Wilkinson looks at London Business School's forecast of double figure inflation up to 1984

A SUBSTANTIAL recovery of the UK economy during the next two years is still being predicted by the London Business School's Centre for Economic Forecasting in its latest Economic Outlook published this morning.

However, its latest projections suggest that the recovery will be more delayed and will be accompanied by higher inflation than it expected in its last forecast at the end of June.

The centre is also considerably more pessimistic than it was in June about the prospects for the remainder of this year. It is now expecting total output to fall by nearly 3 per cent compared with output last year and it thinks exports will be down by 7.3 per cent compared with its earlier prediction of a fall of 4.6 per cent.

It is also slightly more pessimistic about inflation with a projected increase of 11.2 per cent in consumer prices for this year. Perhaps more ominously, it is now predicting that inflation will not fall to single figures before the next election, although it suggests a figure of just under 9 per cent for 1985.

The centre says its gloomier view of the immediate prospects for the UK economy reflects the continuing high real interest rates worldwide and the 4 per cent increase in UK rates which occurred after its last forecast.

It believes the rise of interest rates will in the short term boost the broadly defined money supply as measured by sterling M3. It says the Government will almost certainly fail to meet its target for sterling M3 in the current financial year and adds: "We are sceptical about the Government's ability to achieve its targets in later years."

This is the main reason that the centre now believes that inflation will stabilise in the 10 to 11 per cent range up to 1984.

LONDON BUSINESS SCHOOL FORECASTS
(June projections in brackets)
Percentage annual increase

	1981		1982		1983		1984		1985
Consumer spending	0.4	(0.8)	0.5	(1.3)	1.3	(2.2)	0.7	(1.8)	1.8
Exports	−7.3	(−4.6)	3.5	(2.6)	6.0	(4.3)	5.4	(3.7)	2.6
Imports	−6.1	(−4.1)	7.9	(6.6)	5.6	(5.5)	2.8	(3.4)	1.9
Gross domestic product	−2.9	(−1.7)	1.7	(2.8)	2.8	(2.0)	1.8	(1.4)	1.7
Consumer prices	11.2	(10.5)	10.8	(8.9)	10.5	(8.1)	10.9	(8.8)	8.9
Money supply (sterling M3)	15.6	(13.1)	11.2	(9.5)	11.1	(8.4)	10.0	(8.1)	9.5
Current account balance of payments £bn	5.2	(3.8)	1.6	(1.7)	1.5	(1.7)	2.8	(1.7)	4.0
Adult unemployment (m UK)	2.6	(2.5)	2.8	(2.7)	2.7	(2.7)	2.7	(2.7)	2.7
Public sector borrowing financial years (£bn)	11.5	(10.6)	9.7	(7.3)	7.4	(6.1)	6.5	(6.0)	5.5

The LBS has, in the past, been at the optimistic end of the spectrum amongst the major forecasting units. It continues to expect a steady recovery in output from the middle of this year but at a slower rate than it previously predicted.

It says destocking will probably continue until the second half of next year because of the rise in real interest rates.

In the current year, consumption is expected to remain steady in spite of a fall in the real value of disposable incomes because people have been using their savings to protect living standards. Savings, as a proportion of income are expected to fall from a peak of 17 per cent in 1980 to 11.5 per cent in 1982, partly because people will draw on savings to supplement their squeezed incomes and partly because they will cut savings as lower inflation reduces the need to restore their assets.

Although real incomes are expected to have stopped falling in 1982, consumer spending is expected to be dragged down by high interest rates to an *increase of only a half per cent.* Total fixed investment is also expected to remain at about current levels in spite of a continued fall in the manufacturing sector. Successive revisions of official figures have shown that private investment is running at a higher level than previously thought. Continuing private investment will, however, be offset by low levels of public investment.

Most of the extra stimulus to the economy is therefore expected to come from the ending of the period of destocking, and the LBS estimates this by itself could provide an increase of about 3 per cent in total demand.

This stimulus, however, will be counterbalanced by a faster increase in imports compared with exports, resulting from the fact that a high proportion of stocks are imported. Exports will grow relatively slowly because the UK is still uncompetitive in manufactured goods despite the fall in the exchange rate.

These adverse factors have led to a downward revision of the expected growth in output for 1982 from 2.8 per cent to 1.7 per cent. Although consumer spending is expected to increase only slowly throughout the forecasting period, output is expected to increase by just under 3 per cent in 1983, with exports growing faster than imports and an increasing balance of payments surplus on the current account right up until 1985.

However, the outlook for unemployment remains very bleak, with an increase in the adult total next year to 2.8m and only a small fall expected in the following three years to 2.7m. This implies that in the absence of special measures, the Government could have to face the next General Election with a "headline" total for unemployment (including school-leavers) of more than 3m.

The forecasters believe that public spending will fall as a proportion of GDP.

"As a consequence, the tax increases in the 1981 Budget will procure a fall in the Public Sector Borrowing Requirement from £13bn last year to £11.5bn in the current financial year and £9.5bn next year.

"As long as public expenditure remains stable, the borrowing requirement will go on falling in the medium-term and the authorities will have some scope for cutting taxes."

One consequence will be that monetary growth will be brought broadly under control, although it is not expected that the Government will be able to hit the targets set out in the Medium Term Financial Strategy.

Against this background, the forecasters expect wage settlements to remain moderate. However, the very fast rate of increase in wages during 1980 has left most firms with reduced *international competitiveness in* spite of the fact that sterling has fallen back to the same low level as at the end of 1978.

A further fall in sterling is expected next year but not by enough to restore industrial competitiveness to the level indicated by past trends. The centre estimates that sterling is still valued at about 20 per cent above its long-term trend and predicts a corresponding fall in the exchange rate over the next three years.

Profit margins are expected to improve substantially, partly because firms will be able to put up prices more readily and partly because unit costs will decelerate sharply as recovery gets under way. Price increases *in the next year are expected* to be a once-for-all adjustment by companies with only a temporary effect on the rate of inflation.

Economic Outlook Vol 6 No 1 London Business School, Gower Publishing, Croft Road, Aldershot, Hampshire.

Cambridge group predicts strong growth during 1983

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

A SLOW recovery of the economy next year, followed by strong growth in output during 1983 is predicted today by Cambridge Econometrics, the commercial arm of the Cambridge University Growth Project.

The Cambridge group's forecast shows the same general pattern as that of the London Business School (LBS), but it is expecting a sharper and higher peak to economic activity in 1983, with an increase in output of nearly 4 per cent slowing down to an increase of 1.7 per cent in 1984.

By the end of this year the group says manufacturing output will be 14 per cent below what it was in 1979.

The group is, however, rather more pessimistic than the LBS about the prospects for unemployment, which it believes will be 3.3m including school leavers by 1983 and still rising. It expects total unemployment to remain at about 3.4m until 1990.

The Cambridge group expects the slow recovery during 1982 to result from the ending of destocking and the improved competitiveness of UK exports resulting from the lower level of sterling.

The Cambridge group's forecast of inflation at about 10.5 per cent for 1982 accords closely with the prediction of the LBS and most other recent forecasts.

One of the main differences between the Cambridge and the LBS forecast is that LBS expects the recovery from 1983 to be accompanied by a rising balance of payments surplus reaching £4bn by 1985. The Cambridge group, on the other hand, expects the current account balance to move into a deficit in 1983 which would reach £5.6bn by 1985.

The Cambridge group says that the Government's financial policy "lies in ruins" and it expects the targets for public sector borrowing to be substantially exceeded during the next three years.

Stockbrokers, Phillips and Drew are also predicting a £3bn overshooting of Government spending targets for the current year, including £1bn for additional debt interest. The November issue of their Economic Forecasts also suggests a mild recovery in output next year by about 1 per cent after a fall of 3 per cent in 1981. It forecasts that prices will increase by about 9.6 per cent in 1982 against an increase in wages of 8.4 per cent.

The most optimistic of recent forecasts for the next few years comes from Chase Econometrics which says the British economy will recover after the third quarter of this year "as rapidly as it collapsed" with a boom in output reaching a 6 per cent rate of increase in 1983, but slowing down thereafter.

Chase says the boom will not be accompanied, as some fear, by a surge in the inflation rate although the rate could icrease again after 1984.

In the long run, however, Chase is not optimistic about the prospects for the UK economy.

"The boom will not last. It will end in tears, in much the same way as Mr Callaghan's did in 1978. The monetarist experiment has done too much to damage the underlying fabric of Britain's economy for growth to become *self-sustaining.* Thus our forecast of a strong boom is merely a reflection of the depth of the pit into which Britain has tumbled," it says.

Chase, like the Cambridge group, expects the balance of payments current account to move into deficit as output increases.

In another forecast out today, Staniland Hall, the economic consultants, follow the general trend with a prediction that output will rise by 1 per cent next year and about 3.5 per cent in 1983 and 1984.

Joseph looks at new ways of financing London education

BY ROBIN PAULEY

THE GOVERNMENT is considering other ways of financing the Inner London Education Authority, including one which would make more funding fall on the borough in which most of the schoolchildren live.

A joint deputation from the City of London and the Tory-controlled borough of Westminster, which together have to fund 50 per cent of the ILEA's spending, have asked Sir Keith Joseph, Education Secretary, to cut the authority's spending and the proportion falling on the two boroughs. They were supported by the Westminster Chamber of Commerce and the London Chamber of Commerce and Industry.

Sir Keith is seeking a solution which would control expenditure while retaining the *authority as part of* London's local government. The ILEA's budget for the current year is about £700m.

The Government has come close to abolishing the ILEA on several occasions but has always pulled back, usually with regret. It had hoped that the new system of reducing grant to councils progressively as they spent more would act as a restraint on the highest spending education authority in England.

But this year, with expenditure about £250m above the Government's estimate of the amount which the authority should be spending, all the grant has already been withdrawn, leaving the Government with no weapon.

The ILEA obtains its income by setting its own rate (or precept) level for the year—83p in the pound for 1981-82—and then collecting that amount from each inner-London borough as well as the City.

The problem with this method is that the amount payable by each borough is based only on rateable values, leaving councils with a high resource base such as Camden, Westminster and the City shouldering most of the burden.

The City would like the basis changed to a calculation relating to population. If it were based on school population, councils with few children such as Kensington and Chelsea would benefit but the effect on areas with a low rateable value and many children, such as Greenwich and Lewisham, would be severe.

The deputation suggested the census figures for daytime populations might be used. This would lessen the impact on the poorer boroughs but would still reduce the joint City and Westminster contribution to about 30 per cent of the total.

But the Government is unlikely to accept a statistical base like daytime population figures for finance, grant and rating calculations. A more likely compromise might be to calculate the amount payable by each borough on the basis of both school populations and rateable values, giving equal weight to each.

Whatever happens, the Cabinet is now adamant that the situation cannot go on indefinitely and a new ILEA financing method must be found.

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Current	Model Engineering and Hobbies Exhibition (0455 637173) (until November 8)	Bingley Hall, Birmingham
Nov 3-6	Health & Safety at Work Exhibition (01-688 7785)	Wembley Conference Centre
Nov 5-10	Kensington Antiques Fair (04868 22562)	Town Hall
Nov 8-12	International Domestic and Contract Textiles Exhibition—DACTEX (01-572 2121)	NEC, Birmingham
Nov 10-11	Vending Equipment, Refreshment Services and Supplies Exhibition (0732 356444)	Bloomsbury Centre Hotel
Nov 10-15	International Furniture Show (01-724 0851)	NEC, Birmingham
Nov 12-22	Caravan Camping Holiday Show and Mobile Homes (01-222 9341)	Earls Court
Nov 15-18	Times and Sunday Times Business to Business Exhibition (01-729 0677)	Belle Vue, Manchester
Nov 17-20	Computer Peripheral and Small Computer Systems Exhibition and Conference (01-643 8040)	Olympia
Nov 23-29	International Food Wine and Kitchen Exhibition (06284 2442)	Bristol
Nov 25-27	*Life Insurance Congress and Exhibition* (01-580 8881)	Wembley Conference Centre
Nov 29-Dec 5	International Building and Construction Exhibition and Kitchen International — INTERBUILD (01-486 1951)	NEC, Birmingham
Nov 30-Dec 4	City of London Exhibition (01-935 8200)	Barbican

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Current	Tokyo Motor Show (until November 10)	Tokyo
Current	International and Gastronomic Fair (0271 812968) *(until November 11)*	*Dijon*
Nov 3-7	International Engineering Exhibition (01-681 7688)	Seoul
Nov 4-5	Resins and Pigments Exhibition (0737 68611)	Milan
Nov 4-8	International Ideas, Inventions and New Products Exhibition—IENA (01-930 7251)	Nuremburg
Nov 4-7	International Hardware Exhibition (0483 38085)	Singapore
Nov 10-14	International Exhibition for Electronics Production—PRODUCTRONICA (01-486 1951)	Munich
Nov 13-22	Automobile Show (01-486 8686)	Sao Paulo
Nov 16-20	International Market of Subcontracting—MIDEST (0271 812968)	Lyon
Nov 18-21	Medical and Technical Exhibition and Congress—MEDICA (01-409 0956)	Dusseldorf
Nov 22-27	Arab Home and Leisure Show (01-486 1951)	Bahrein
Nov 23-27	International Mining Exhibition and Conference for South East Asia (021705 6707)	Singapore
Nov 24-28	International Technical Fair (01-486 1951)	Helsinki
Nov 26-Dec 5	UAE Autumn Fair (01-935 8200)	Dubai
Dec 1-4	European Plant Engineering and Maintenance Exhibition and Conference—FABRIK (021-384 3384)	Cologne
Dec 2-6	South East Asia's Gift Fair (01-681 7688)	Singapore
Dec 6-10	Furniture, Shopfitting, Decorative Lighting, Furnishings Exhibition — SAUDI DESIGN (01-353 2300)	Alkhobar

BUSINESS AND MANAGEMENT CONFERENCES

Nov 4-6	American Tax Institute: International aspects of U.S.-European Taxation (Paris (1) 256 3370)	Carlton Hotel, Cannes
Nov 5	London Export: Nigeria — Future Programmes (0822 3577)	Churchill Hotel, W1
Nov 9	Sweet and Maxwell: The Law and Practice of International Finance (01-583 9855)	Hilton Hotel, W1
Nov 12	*IPS: Computer Purchasing (0990 23711)*	*Tower Hotel, E1*
Nov 13	Bath Chamber of Commerce: The New Industrial Challenge (0225 60655)	Beaufort Hotel, Bath
Nov 16-17	FT Conference World Telecommunications (01-621 1355)	Inter Continental, W1
Nov 17-18	Gower: International Treasury Management (01-240 5931)	Waldorf Hotel, WC2
Nov 17-18	Oyez: Implications of change in the London Gilts and Money Markets (01-242 2481)	Royal Garden Hotel, W8
Nov 17-20	European Congress for the Organisation of Financial Institutions (Luxembourg 2 09 31)	Luxembourg
Nov 18-20	First World Congress on Management Development (0234 48338)	Mark Lane, EC1
Nov 19	IPS Telecommunications—the Changing Market (0990 23711)	Metropole Hotel, W2
Nov 19-20	Gower: Offshore Workshop '81—Construction and Supply Contracts (01-240 5931)	Café Royal, W1
Nov 23-24	MSS: Computer Appreciation for Managers/Users (0903 34755)	Worthing
Nov 24	Oyez Purchase of Own Shares and Accounting Problems (01-242 2481)	Carlton Tower, SW1
Nov 24	Wm. Mercer: Employee Benefits in the U.S. (01-405 4343)	Royal Garden Hotel, W8
Nov 24-26	Seatrade Academy Ship Finance (0223 353451)	Hong Kong
Nov 25-27	The Economist: Satellite Broadcasting—the next opportunity (01-839 7000)	Vienna
Nov 26	Brazilian Chamber of Commerce: Today's Business Opportunity (01-499 0186)	Café Royal, W1
Dec 3	American Chamber of Commerce: Investing in the United States—a top management perspective (01-493 0381)	Hyde Park Hotel, SW1

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

BNOC will raise North Sea price

By Gareth Griffiths

THE BRITISH National Oil Corporation intends to increase the price of its North Sea oil on either Tuesday or Wednesday. By how much was still *uncertain yesterday.*

Saudi Arabia's decision at the Geneva meeting of the Organisation of Petroleum Exporting Countries last week to increase the price of light crude oil from $32 a barrel to $34 should have led to a proportionate increase in the price of North Sea crude from $35 to between $36.50 and $37.

BNOC is the main trader in North Sea oil and had hoped Saudi prices would be higher. It intends to telex the oil companies its decision this week.

Large UK oil companies have pressed BNOC to set much smaller increases.

BNOC sets the UK prices, and the oil majors say that in the present weak trading conditions the market will not bear a price of $36.50 a barrel.

The price of North Sea oil fell by $4.25 in June, to $35 a barrel.

Plaid Cymru chooses moderate for president

BY ROBIN REEVES, WELSH CORRESPONDENT

MR DAFYDD WIGLEY, Plaid Cymru MP for Caernarfon, was elected to succeed the veteran Welsh Nationalist leader, Mr Gwynfor Evans, as Plaid's new President at the Party's conference in Carmarthen at the weekend.

He beat his left-wing rival and fellow Plaid MP, Mr Dafydd Elis Thomas, by 273 delegates' votes to 212, in a straight fight. The backing for his "moderate" stance came at the end of a conference which otherwise produced a decisive shift to the left in Plaid's policies.

Among a number of radical changes, the conference agreed to make the party's constitutional aim the formation of a decentralist Welsh socialist state in place of simply self-government.

On his election, however, Mr Wigley said he accepted the constitutional changes, although he thought there was need for clarification and he did not want to see self-government eliminated from the membership card.

"Plaid's policies have always been socialist in character," Mr Wigley said. "What is important is to know what we mean by a decentralist socialist state. If the implications are spelt out, people will accept them."

He dismissed suggestions that the party's more left stance would help the SDP-Liberal Alliance to make major inroads into Wales.

He argued that the Alliance was trying to capture the centre right ground of English politics with policies that were irrelevant to Welsh needs. On the other hand, if the Alliance produced a break-up of British politics, he was convinced Plaid could break through electorally in a big way.

Mr Thomas attributed his defeat to a "geographical block vote" from the rural counties of Dyfed and Gwynedd, although he had drawn support from all parts of Wales.

He said the crucial decision had been the changes in Plaid's aims and organisation, which would now be much more democratic. The debate in the *party over the past few months* now had to be taken outside.

Mr Wigley, who is 38, has been Plaid Cymru MP for Caernarfon since 1974.

He is a different mould from his veteran predecessor, but is widely respected both inside and outside the nationalist movement for his hard work and *political and organisational* skills.

Owen decries two-party system in Commons

BY OUR POLITICAL EDITOR

PRESENT Parliamentary procedures based on the two-party system were challenged at the week-end by Dr David Owen, chairman of the Social Democratic Party committee in the Commons.

Reflecting SDP frustration after last Wednesday's no-confidence debate, when the party's amendment was not called, Dr Owen said that "Parliament had missed an opportunity to become the forum for the nation, because it was encased by its own rituals."

When the Queen's Speech was debated present procedures meant that only the official Opposition put amendments to the vote. "What needs to be understood is that the Social Democrats are not prepared to play this two-party game.

"We are a new party that has arisen to match the extra-ordinary political situation which now faces this country."

"We need Parliamentary reform, along with proportional representation, supply-day debates and voting rights for all parties.

"It always used to be the boast of British politicians that the House of Commons was so flexible, our unwritten constitution so adaptable, that Parliament would always reflect all political opinion within the nation.

"The present Parliament is totally failing to do so."

Print unions expected to merge in spring

By Our Labour Correspondent

A MERGER between two big print unions is thought likely by the spring.

The Society of Graphical and Allied Trades, the largest print *union, and the National Society* of Operative Printers Graphical and Media Personnel will hold a joint executive meeting next week to complete details of the merger.

Both unions expect to ballot their members, a combined total of about 250,000, early next year.

If the memberships accept the merger terms *by a simple* majority in both cases, vesting day for the new union could be as early as April or May.

The plan is for the unions to merge at the top first, with more gradual amalgamation at regional and branch levels.

Mr Bill Keys and Mr Owen O'Brien, the Sogat and Natsopa general secretaries, will remain *as joint general secretaries.* On the retirement of one, the other will continue unutil a successor is elected by a ballot

It is expected that provincial branches, where Sogat is numerically dominant, will merge fairly rapidly.

In Fleet Street, where Natsopa is the major union and about 50 per cent of its 54,000 members work, *it may take much* longer.

Private sector pay deals ignore 4% target

BY JOHN LLOYD, LABOUR CORRESPONDENT

ATTEMPTS by public sector managements to keep wage rises down to the Government's 4 per cent target figure will be rendered more difficult by recent evidence, mainly from the private sector, that companies are continuing to settle in the 5 to 11 per cent range established earlier in the year.

Data from some 72 large and medium sized companies, most of them in manufacturing, collected in the three months August-October by Income Data Services, shows that the settlements made in that quarter ran at the same, or even slightly higher, levels as those prevailing in the first seven months of 1981.

The bulk of the settlements run between 7 and 10 per cent. Some exceptions are considerably above, such as the police, at 13.2 per cent in September. A number are at zero. However, since August, none have been recorded at between 1 and 4 per cent.

The next test of public sector resolve—BL apart—comes this week when the National Water Council responds on Thursday to its unions' claim for a rise in line with inflation for their 32,000 members. Union officials expect an offer on or slightly above the 4 per cent norm, and have made it clear they want that considerably bettered.

Last year, the water workers secured a 12.3 per cent settlement, more than double the Government's public sector guideline of 6 per cent. The unions then argued that the water workers had arrived in the same pay league as the miners and other workers in energy industries, and that they expected to be treated in this way in the future.

Already, the miners have been offered between 6 and 8 per cent on basic rates, and expect an improvement at further talks. The firemen—held to be a special case—have been promised just over 10 per cent, while the 1m council manual workers still await a response to their claim for an inflation-level rise tabled last month.

The latest settlement figures show, says IDS, that a low single-figure norm has not yet been achieved, that unemployment and the Government's attitude to the public sector are having less effect on settlements than had been expected and that there is considerable worker resistance to rises below 5 per cent.

The IDS survey also shows that productivity bargaining on top of basic rates has re-emerged, after a period at the end of 1980 and in the first half of 1981 where basic rate rises were made conditional on productivity improvements.

The survey says that "it would appear that the companies which are attempting to hold most closely to the Government and CBI norm—for low single-figure increases—are the ones moving towards the return of this two-level bargaining."

Among those companies settling at relatively high levels in the last quarter are manual workers at Reckitt and Colman's food division in Norwich, at 12 per cent; Spillers at between 7 and 9 per cent; workers at various drinks companies at 8 and 9 per cent; and 9 per cent for manual workers at Kwik-Save.

Settlements at lower levels have been concluded by NEI Cranes, Alfred Herbert and Mather and Platt, all at 5 per cent; Rolls-Royce Motors in Crewe at 4.5-5 per cent topped up with 4 per cent in productivity; and Simon Rosedown in Hull, in the middle with 6.7 per cent.

Mersey dockers accept pay and productivity deal

FINANCIAL TIMES REPORTER

THE CONTROVERSIAL pay and productivity package deal for the 3,500 dockers on the Mersey was finally approved yesterday when the men voted by 4-to-1 to accept the details at a mass meeting in Liverpool Boxing Stadium.

This ended six months of *negotiation,* the most protracted in the history of the port.

The chairman of the Port Employers' Association, Mr James Fitzpatrick, who is also managing director of the largest employer, the Mersey Docks and Harbour Company, welcomed the decision.

So did Mr Denis Kelly, chairman of the Mersey Docks shop stewards. He said it gave equal opportunities to all dockers to earn the same rate.

There will be no extra payment for night-shift work at the Royal Seaforth container complex nor at the North Docks. There will be no rotation of Birkenhead dockers into the Royal Seaforth grain terminal and reduced manning levels will continue to operate at the Liverpool Grain Storage terminals on both banks of the river.

However, shipping movements will be monitored to ensure the Birkenhead men get a fair proportion of the available work. Joint talks will be held within two hours of any dockside dispute to ensure it does not escalate.

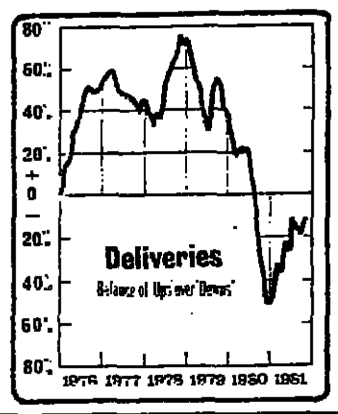
FT Monthly Survey of Business Opinion

GENERAL OUTLOOK

Confidence remains low

THE GENERAL level of confidence in industry remains low with the October index falling back again compared with last month and few companies expressing optimism about their futures than four months earlier.

In the three sectors interviewed for the October survey—engineering (non-electrical), chemical and oil companies, and the shipping and transport sector — only the engineering sector showed any movement from its extreme gloom in June when the same sectors were last questioned.



Although the general level of opinion is pessimistic there is more long-term optimism although it is based more on hope than on definite indications. One chemical company, for example, expressed the same lack of optimism in October as in June concerning the short-term prospects but added that its feelings were "fairly optimistic because we have been bumping along the bottom for some time. I do not expect an immediate improvement but it wil come."

In the engineering sector many saw no reason to stop being gloomy but others noted an improvement in orders, particularly from abroad.

GENERAL BUSINESS

Are you more or less optimistic about your company's prospects than you were four months ago?	4 monthly moving total: July-Oct. %	June-Sept. %	May-Aug. %	Apr.-July %	October 1981: Eng'g. (non-elect.) %	Chemicals & Oils %	Shipping and Transport %
More optimistic	21	26	37	36	35	3	—
Neutral	58	50	44	43	51	83	68
Less optimistic	22	24	19	21	14	14	32
No answer	—	—	—	—	—	—	—

EXPORT PROSPECTS (Weighted by exports)

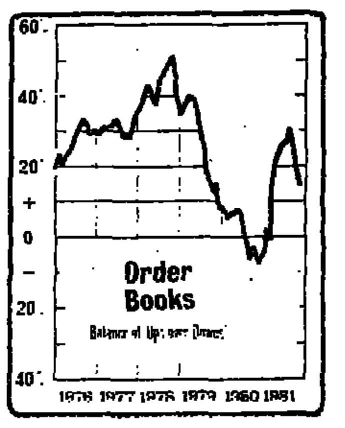
Over the next 12 months exports will be:	4 monthly moving total: July-Oct. %	June-Sept. %	May-Aug. %	Apr.-July %	October 1981: Eng'g. (non-elect.) %	Chemicals & Oils %	Shipping and Transport %
Higher	66	59	60	56	67	77	94
Same	21	25	20	25	9	23	—
Lower	11	15	19	17	12	—	6
Don't know	2	1	1	1	11	—	—

ORDERS AND OUTPUT

Small recovery in orders

THERE APPEARS to have been a small improvement in the orders received last month. The new orders index shows the recovery of ground lost last month with both engineering and chemical and oil sectors reporting increased order levels. But the general drift of the index for the order books continues downwards although the rate of decline may be slowing. Again, only the chemical and oil sector showed any optimism about order books.

The pattern is repeated in the index for recent deliveries with chemical and oil reporting good demand from the oil industry and the European market in better shape than that in the UK.



The engineering sector continues to be depressed by the cut in nationalised industry's investment in both the private and nationalised industry sectors. Competition from subsidised European companies, the downturn in the motor industry and the low level of housing starts are also blamed, although the fall in the exchange rate has been useful.

Exports prospects continue to improve, helped further by the exchange rate. Overseas earnings in shipping and transport were apparently helped by better prospects in the U.S. and West Germany where the automobile industry was said to have ended its destocking.

NEW ORDERS

The trend of new orders in the last four months was:	4 monthly moving total: July-Oct. %	June-Sept. %	May-Aug. %	Apr.-July %	October 1981: Eng'g. (non-elect.) %	Chemicals & Oils %	Shipping and Transport %
Up	24	22	27	24	20	17	35
Same	41	34	30	34	66	68	—
Down	23	28	25	28	14	14	65
No answer	11	15	17	14	—	—	—

PRODUCTION/SALES TURNOVER

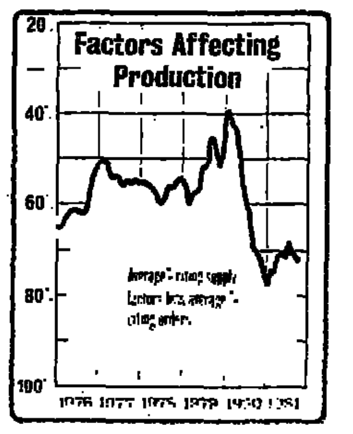
Those expecting production/sales turnover in the next 12 months:	4 monthly moving total: July-Oct. %	June-Sept. %	May-Aug. %	Apr.-July %	October 1981: Eng'g. (non-elect.) %	Chemicals & Oils %	Shipping and Transport %
Rise over 20%	2	2	2	2	10	3	—
Rise 15-19%	1	1	—	—	—	—	—
Rise 10-14%	9	7	10	7	—	13	—
Rise 5-9%	26	26	24	25	7	33	—
Rise 2.5-4%	21	25	31	25	2	4	35
Remain the same	28	22	18	29	66	33	32
Fall 2.5-4%	7	6	3	3	—	13	32
Fall 5-9%	3	5	5	2	—	—	—
Fall 10-14%	—	—	—	2	—	—	—
Fall 15% or more	—	—	1	1	—	—	—
No answer	4	7	7	4	14	1	—

CAPACITY AND STOCKS

Stocks not expected to rise

ONLY ABOUT a quarter of companies interviewed are expecting stock levels to increase and none thought that their present stock levels were too low. The proportion of companies which expect an increase in their stocks of manufactures has been declining since the spring.

However, the chemical and oil sector tended to be more inclined than it had been last June to expect raw materials stocks to increase. However the other two sectors were, if anything, more pessimistic about the prospect of restocking.



The proportion of companies working at or near planned capacity increased after a fall last month. The trend for better capacity utilisation which started at the beginning of the year appears to have been resumed after a setback between April and June.

This slight upward trend must, however, be related to output targets which in some cases appear to be lower than previously. In all three sectors and in the sample as a whole there is an increasing tendency to say that assets were lying idle.

CAPACITY WORKING

Are you working at your planned output level for this time of year?	4 monthly moving total: July-Oct. %	June-Sept. %	May-Aug. %	Apr.-July %	October 1981: Eng'g. (non-elect.) %	Chemicals & Oils %	Shipping and Transport %
Above target capacity	3	3	6	4	—	4	—
On target	46	41	46	49	41	55	68
Below target capacity	48	53	45	41	54	41	32
No answer	3	3	3	6	5	—	—

STOCKS

	4 monthly moving total: July-Oct. %	June-Sept. %	May-Aug. %	Apr.-July %	October 1981: Eng'g. (non-elect.) %	Chemicals & Oils %	Shipping and Transport %
Raw materials and components over the next 12 months will:							
Increase	27	25	35	36	9	50	—
Remain the same	55	59	45	49	40	22	32
Decrease	14	14	16	12	41	13	65
No answer	4	3	3	3	10	14	3
Manufactured goods over the next 12 months will:							
Increase	26	28	34	34	10	28	—
Remain the same	41	41	32	36	17	17	32
Decrease	16	14	16	13	21	39	65
No answer	5	3	4	1	—	13	—

FACTORS CURRENTLY AFFECTING PRODUCTION

Are any of the following factors limiting your output at present?	4 monthly moving total: July-Oct. %	June-Sept. %	May-Aug. %	Apr.-July %	October 1981: Eng'g. (non-elect.) %	Chemicals & Oils %	Shipping and Transport %
Home orders	91	90	87	87	100	97	68
Export orders	62	63	64	58	95	81	34
Executive staff	1	2	4	3	—	—	—
Skilled factory staff	3	3	—	—	—	—	—
Manual labour	0	1	1	1	—	—	—
Components	1	—	1	1	—	—	32
Raw materials	3	3	6	6	—	—	—
Production capacity (plant)	4	4	5	5	—	—	—
Finance	1	1	1	—	—	—	—
Labour disputes	3	3	5	11	—	—	32
Others	16	16	16	15	21	41	—
No factors	4	4	7	7	—	3	—

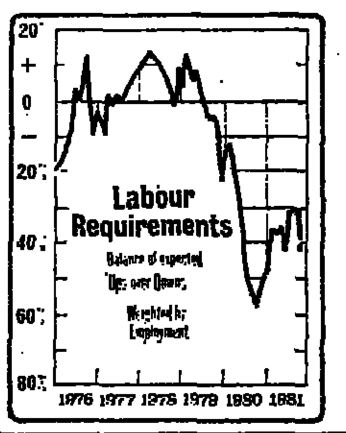
INVESTMENT AND LABOUR

More jobs will be lost

COMPANIES ARE expecting to reduce their workforces still further in the months ahead, taking the labour requirements index sharply downwards again to about the same very depressed level recorded in May.

In spite of its optimism in some other indices the chemical and oil sector was the most gloomy about jobs with more than three-quarters expecting to have to shed more people during the next year and not one *expecting to take on more workers.*

There was a slight overall increase in those expecting capital investment to increase during the next 12 months but only in volume terms. The number of those expecting an improvement in value terms slipped marginally. The shipping and transport sector remained wholly depressed about capital with a full 100 per cent of companies expecting a decrease in the next year.



On capital requirements both chemical and oil and shipping *and transport sectors thought* their liquidity levels were too high, the opposite view of the engineering companies.

LABOUR REQUIREMENTS (Weighted by employment)

Those expecting their labour force over the next 12 months to:	4 monthly moving total: July-Oct. %	June-Sept. %	May-Aug. %	Apr.-July %	October 1981: Eng'g. (non-elect.) %	Chemicals & Oils %	Shipping and Transport %
Increase	7	12	13	13	1	—	—
Stay about the same	44	45	43	43	37	21	34
Decrease	49	43	44	44	61	78	66

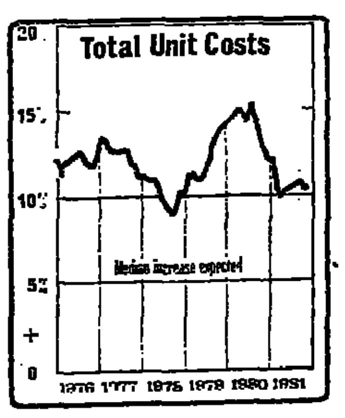
CAPITAL INVESTMENT (Weighted by capital expenditure)

Those expecting capital expenditure over the next 12 months to:	4 monthly moving total: July-Oct. %	June-Sept. %	May-Aug. %	Apr.-July %	October 1981: Eng'g. (non-elect.) %	Chemicals & Oils %	Shipping and Transport %
Increase in volume	23	20	22	22	21	46	—
Increase in value but not in volume	13	14	12	10	—	11	—
Stay about the same	19	25	27	29	35	—	—
Decrease	41	35	33	34	32	43	100
No answer	4	6	6	5	12	—	—

COST AND PROFIT MARGINS

Wage pressures are easing

THE GENERAL consensus of the companies interviewed was that wage inflation would stabilise at about its present rate or a little lower and that profit margins would improve a little.



The overall index of expected wage increases continues to fall, and only two of the firms interviewed this month expected wages to rise by 10 per cent or more.

Attitudes towards any union demands for "excessive" wage increases appear to be hardening, and companies indicated a willingness to put up fairly strong resistance against demands for shorter hours.

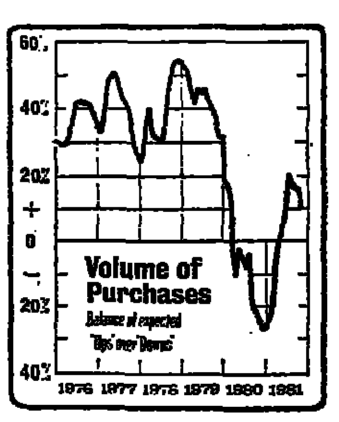
Both the engineering and the shipping and transport sectors tended to be more optimistic about improving their profit margins over the next 12 months compared with their attitudes last June, but the chemical and oil sectors were more cautious.

Engineering companies, particularly, are more optimistic about profits because the large burden of redundancy costs in 1980-81 is now mainly behind them. In the next year, they are expecting to reap some of the benefits from this slimming down.

These surveys, which are carried out for the Financial Times by the Taylor Nelson Group, are based upon extensive interviews with top executives.

Three sectors and some 30 *companies are covered in turn* every month. They are drawn from a sample based upon the FT Actuaries' Index, which accounts for about 60 per cent of all public companies.

The all-industry figures are four month moving totals covering some 120 companies in the 11 industrial sectors (mechanical engineering is surveyed every second month).



Complete tables can be purchased from Taylor Nelson and Associates.

COSTS

	4 monthly moving total: July-Oct. %	June-Sept. %	May-Aug. %	Apr.-July %	October 1981: Eng'g. (non-elect.) %	Chemicals & Oils %	Shipping and Transport %
Wage rise by:	3	2	—	—	7	1	—
0.4%	71	66	57	53	63	76	100
5-9%	16	23	35	40	21	13	—
10-14%	—	—	—	—	—	—	—
15-19%	—	—	—	—	—	—	—
20-24%	—	—	—	—	—	—	—
25-29%	—	—	—	—	—	—	—
Remain the same	2	2	—	—	—	—	—
Decrease	—	—	—	—	—	—	—
No answer	9	7	8	6	10	10	—
Unit cost rise by:	7	6	5	6	—	—	32
0.4%	28	29	27	32	10	34	35
5-9%	35	37	36	43	77	14	32
10-14%	9	5	6	3	2	26	—
15-19%	—	—	1	1	—	—	—
20-24%	—	—	—	—	—	—	—
25-29%	—	—	—	—	—	—	—
Remain the same	1	—	—	—	—	7	—
Decrease	2	2	—	—	—	1	—
No answer	18	21	24	16	12	17	—

PROFIT MARGINS

Those expecting profit margins over the next 12 months to:	4 monthly moving total: July-Oct. %	June-Sept. %	May-Aug. %	Apr.-July %	October 1981: Eng'g. (non-elect.) %	Chemicals & Oils %	Shipping and Transport %
Improve	44	45	40	48	65	53	35
Remain the same	35	31	31	30	5	47	65
Contract	11	14	20	19	25	—	—
No comment	10	10	9	4	5	—	—

APPOINTMENTS

Finance director for John Swire

Mr A. D. Moore has been appointed to the board of JOHN SWIRE AND SONS, the London-based parent company of the Swire Group, and from December 1 will take over from Mr David Thomson, who is retiring, as finance director. Mr Moore has been with the Swire Group in the Far East for the past 21 years. Mr Thomson will remain on the board of John Swire and Sons as a non-executive director.

*

INTERNATIONAL COMPUTERS has made four management appointments, two of which are new positions. Mr Stanley W. Frith is appointed director of corporate communication. He joins ICL from Texas Instruments. His most recent appointment was as European corporate personnel director. Mr Olaf B. von Bülow becomes director of ICL 350 Range, a new position. He joins from Sperry Univac, where he has was most recently vice-president and general manager of the international division.

*

Mr Roger Childs is appointed director of major countries division, succeeding Mr Les Cole who is retiring on December 5. His main industrial experience has been gained where his last appointment was as regional director responsible for all Rank Xerox operations in five European countries. Mr Christopher S. A. Cook is appointed business manager, office systems. He joins after a short period at Philips Business Systems, where he had product management and commercial accountability for Philips facsimile equipment.

*

Mr Derrick H. Dorken, personnel director, has been appointed to the board of SMITH KLINE AND FRENCH LABS.

*

Mr Robert G. Laidlaw has been appointed to the board of COATS PATONS. He is in charge of the company's interests in U.S. and Canada and is resident in the U.S.

*

Mr A. C. Collins, who has been controller of management services with SOUTH EASTERN GAS for five years has been appointed director of corporate planning and management services.

*

Mr Richard Fenhalls will join GUINNESS MAHON as deputy chairman and chief executive on November 1. The post of chief executive has remained vacant since July 1979. Mr Fenhalls was the chief executive of the London merchant banking arm of American Express and a senior vice-president of American Express International Banking Corporation.

*

AIRBORNE FREIGHT CORPORATION has appointed Mr Larry Woelk as regional manager Europe. He succeeds Mr Tom Rooney who has returned to Airborne's U.S. headquarters in Seattle to become vice-president marketing.

*

Mr A. J. Glock has been appointed managing director of DD LAMSON, a subsidiary of Crest Nicholson. He was previously a director of Hirst and Mallinson, and succeeds Mr D. L. Lewis, who has been appointed deputy chairman.

*

Mr Colin M. Herridge has been appointed managing director of TREMCO from his previous position as deputy managing director. Mr Kurt Reiser is appointed vice chairman of Tremco, from managing director. Tremco is the British subsidiary of the Toronto-based Tremco (Canada), part of the B. F. Goodrich Corporation.

*

The Lord Chancellor has decided to appoint Mr Peter T. Hurst to be TAXING MASTER of the Supreme Court from December 1.

*

Mr E. S. Brazington has taken a new appointment as chief executive of carbonless papers operations, responsible for WIGGINS TEAPE'S carbonless papers business worldwide. Mr E. J. Chumrow takes on a new assignment as chief executive of European paper and print, responsible for the direction and further development of all the company's activities in Europe outside the carbonless papers business. He will retain responsibility for group development and technical services.

*

Mr G. Eryl Morris has been appointed an executive director of COURTAULDS. He is currently group managing director of International Paint.

*

Mr A. R. G. McGibbon has been appointed a non-executive director of BRONX ENGINEERING HOLDINGS. He is the chairman of Minster Assets.

*

An item was published in the Appointments column (Page 28, October 29) announcing board appointments at Ready Mixed Concrete. This company is a subsidiary of CSR of Sydney, Australia and has no connection with the British company of the same name.

INSURANCE

Life assurance market report lacking in detail

BY ERIC SHORT

THE ULTIMATE well-being of the British life assurance industry depends on its success in selling new business. Yet information on this important aspect of the operations of a major industry is still not easy to come by, making it difficult for an in-depth analysis of the progress of life companies.

The Life Offices Association, on behalf of the UK life assurance industry, manages to publish each January preliminary figures of the preceding year's new business, but this information, though provided quickly, is rather scanty, just showing total new annual and single premiums on both life and pension business combined, together with new sums assured and new annuities, with comparisons for the previous year.

These figures, which cover non-member companies as well as members of the LOA, give an overall picture of the progress of the industry during the year, but do not show the performance of the different sectors that make up the life assurance industry.

There is no indication at the preliminary stage about the progress during the year of pensions business, individual savings, industrial life business or unit-linked business.

Such important information is necessary to assess the manner in which the UK life assurance industry is developing.

This comes much later when the LOA publishes its annual review of the industry and it takes at least eight or nine months for the review to appear.

The tables taken from the review show that almost all main sectors of the industry had good new business growth in 1980, despite the recession.

Sales of regular premium contract were steady, with linked life business forging ahead. Industrial life business, i.e., business where premiums are paid weekly or four-weekly and collected by agents at the homes of policy owners, still continues to attract a steady volume of business.

Link life and industrial life business represents savings contracts through life assurance but the non-linked ordinary life business is a mixture of protection policies, mortgage repayment plans, savings contracts, and various other types of life assurance.

It will be useful if the LOA could get life companies to break down their non-linked business into these various classes. For instance, the mortgage market was dull in 1980 and it would have been interesting to see how this impinged on life company business.

Many life companies rely heavily on mortgage business for their growth.

Single premium sales on the ordinary life side were mixed last year. Linked-life bond sales barely moved ahead, but non-linked business nearly doubled.

Company life and pensions business showed steady growth in 1980, well in line with the rise in earnings over the year.

Life companies would appear to be still holding their share of the pensions market.

Personal pensions business, sold mainly to the self-employed, had a very good year following the 1980 Finance Act, which granted further substantial tax concessions to this type of business.

The one dull spot last year was sales of individual annuity business, the only sector to show a decline in business. This type of business is extremely volatile, the record for the past five years shows sales rising and falling in successive years.

The booklet from the LOA contains much useful information, yet its format rarely changes from year to year despite the development taking place within the UK life assurance industry.

It would be interesting to see how far it is replacing with-profits business as a savings vehicle. The LOA could provide much more new business information that would give a deeper insight to the way the industry is moving.

** Life Assurance in the United Kingdom 1976-80, from the Life Offices' Association, Aldermary House, Queen Street, London EC4N 1TP.*

Annual premiums	1980 £m	1979 £m	Change %
Ordinary life non-linked	357	318	+12
Ordinary life linked	142	120	+18
Industrial life	210	179	+17
Personal pension	92	76	+21
Group life and pensions	975	817	+19
Individual annuities	2	1	+100
PHI	12	9	+33
Total	1,790	1,520	+18

Single premiums	1980 £m	1979 £m	Change %
Ordinary life non-linked	206	113	+82
Ordinary life linked	325	309	+5
Personal pension	92	81	+13
Individual annuities	163	182	−11
Total	785	685	+15

كاملة من الأصل

FT COMMERCIAL LAW REPORTS

A new legal authority is born

TOMORROW the Financial Times will embark on a new venture: the publication of law reports of court cases of particular interest to businessmen and commercial and company lawyers. Here Dr Rachel Davies, a barrister, who will write the law reports, explains their purpose, while Raymond Hughes looks at the history and work of the Commercial Court, which will be the principal source of the reports.

* * *

FROM TOMORROW law reports will appear in the Financial Times every Tuesday, Wednesday and Friday during the legal terms. Readers may notice the intruder on this page and wonder what it is, for a law report has a specific form of its own.

What is a law report? It is a record of the law created in the High Court, Court of Appeal, House of Lords or the Privy Council. These are "courts of record" and their decisions on a new point of law become legal precedent, to be followed, applied or considered in future cases by courts of the same level or below.

English law is composed of statute law and case law. A statute is a record of the law as created by Parliament, whereas a law report is a record of the law as developed in the courts. Counsel, when in court, must establish the facts of his case by means of evidence, but if he wishes to establish a point of law, then he will base his case on relevant legislation if there is any. If there is not, or if legislation requires interpretation, he will apply the doctrine of precedent and cite previous cases to support him in his argument as to what is the law.

In order for a law report to be citable as legal authority in court, it must have been written by a barrister—preferably a barrister who has sat in court and listened to the judgment.

Reports can be written in various forms, but as far as newspaper law reporting is concerned, a particularly appropriate form, in that it is economical of space, is one whereby the point of law is set out in one brief paragraph, followed by the relevant parts of the judge's reasoning in as nearly his own words as possible, but in reported speech.

The Financial Times law reports will be in that form. The first paragraph will encapsulate the point of law held, and will be followed by as much of the judgment, in reported speech, as may be permitted by space.

The subject matter of the reports will be commercial, being of particular interest to Financial Times readers, and it is hoped that they will provide a valuable service to lawyers and businessmen. When appropriate, articles will be published in place of the law reports, or digests giving an overall picture of decisions in the Commercial Court during the preceding period.

In providing this service, the Financial Times will be adding a new dimension to its legal coverage. Every day from Monday to Friday, legal material will appear on this page. Justinian will continue his commentaries on Mondays, Dr A. H. Hermann's Business and the Courts feature (renamed Business Law) will appear on Thursdays, and the law reports on Tuesdays, Wednesdays and Fridays. Raymond Hughes, the FT Law Courts Correspondent, will be reporting on news arising out of the courts on the main news pages.

Rachel Davies

Court with an international reputation

"THERE is no doubt . . . that businessmen tend to avoid litigation in the courts because they dislike the formality and publicity of legal proceedings. So they often take their disputes to arbitration, instead of going to the courts.

"It is most desirable for many reasons, both legal and economic, national and international, that we should do whatever we can . . . to attract commercial litigation into our courts."

Thus Lord Chancellor Gardiner, speaking in the House of Lords in the debate on the Administration of Justice Act, 1970, which, among other things, at last conferred the benefits of statutory parentage on the Commercial Court—75 years after its birth.

It was in 1895 that it was first appreciated that the particular problems and needs of the business community required the hiving-off of commercial cases from the general court lists.

However, it was not until 1970 that the Commercial Court was recognised as a separate entity within the Queen's Bench Division of the High Court. Since then, Lord Gardiner's desire has been amply achieved. In 1971-72 about 450 summonses were issued and 90 cases fixed for trial. In 1979-80 the figures were 2,536 and 416.

Five judges sit daily to deal exclusively with commercial matters. Their brief is to try "any cause arising out of the ordinary transactions of merchants and traders and . . . any cause relating to the construction of a mercantile document, the export or import of merchandise, affreightment, insurance, banking, mercantile agency and mercantile usage."

The Commercial Court has an international reputation unique among English courts. This is because an enormous amount of international trade is conducted under contracts governed by English law, with the result that in about 90 per cent of commercial cases at least one party is a foreigner.

A significant part of the court's work comes from London arbitrations, especially those dealing with commodity and shipping disputes. The interpretation of the 1979 Arbitration Act, for the enactment of which the commercial judges can claim a considerable measure of credit, has lately figured largely in the court's activities.

One of the court's strengths, and its appeal to the international business community, is the speed with which it deals with pre-trial procedural matters, enabling a case to come on for trial much more quickly than in any other area of the High Court.

The Commercial Court also differs from other courts in its close relations with the community it serves. Its activities are kept under review by a committee of judges, lawyers and representatives of City arbitrators, banking, commodities, insurance and other areas with which the court becomes involved, to ensure that the service it provides is as efficient as is humanly possible.

Raymond Hughes

The Justinian column will appear as usual next Monday.

FACILITIES

JAMES FRENCH

Obtaining good value for £20m

NEXT SUMMER, more than a dozen years after conception, Lambeth Council hopes to open its sports centre, which towers over the street market in riotous, deprived Brixton. So far the cost is a staggering £20m, making it probably the most expensive municipal sports centre in Britain.

Last year, the adjoining borough of Wandsworth decided to shut the Tooting Bec open-air swimming pool on certain days to save staffing costs.

This crazy juxtaposition illustrates the stop-go, slump-panicked pattern in the provision of British sports facilities. Two miles apart, they are a savagely inflated investment that is unlikely to give a fair return in human benefit and an existing facility deliberately under-utilised to save a few pounds in wages.

The Brixton centre, incidentally, was decided on when the Conservatives ruled Lambeth. Building started in March, 1974, with Labour in charge and the opening will come, I and many other local observers are convinced, under an Alliance administration.

It will include a sports hall that could accommodate two tennis courts plus spectators or 1,200 at a dance, a bowls hall, eight squash courts, weight-training room, two gyms, a shooting range, a creche, two pools (one 25m, one practice), a "projectile room" (for archery, cricket nets etc), two saunas, a caretaker's flat, social rooms, offices, two bars, two cafe areas, and a restaurant. Take away the pools, and it does not seem to provide a lot more than Coventry City FC's £1.5m Sky Blue Connexion, which I visited last year.

The Lambeth project was dogged with industrial problems, and in 1979 the contractors—Tarmac—withdrew. The council had to carry on with direct labour, and they say that things have worked satisfactorily. Meanwhile the ratepayers (of whom I am one) have been having to foot interest charges which have reached £2m a year.

So I visited the Sports Council, convinced that big was not beautiful, and, bruised through my own heavily-rated pocket, wondering whether sports centres were the best thing, and whether it would not be wiser to spread around cheaper, single-sport facilities.

Two keen young administrators convinced me that economy of scale was the thing, that wages were the biggest element in running public sports facilities, and that only by providing a dozen or more different sports under one roof could staff costs be kept within tolerable bounds.

Pricing policies tend to be dictated by tradition. Squash, which has been a sport played by car-owning members of the professional classes, has always been higher priced; generally, in municipal facilities, golf and catering are the only areas that pay their way.

The Sports Council is working on pilot projects with professionally expert committees to *design the most cost-effective* small and medium sports centres. The urge for economy has expedited this: formerly authorities preferred to go it alone, believing that their local requirements were different from everyone else's.

New thinking embodied in the Magnum Centre at Irvine, Ayrshire, taps the heat surplus created in freezing the ice rink water. But is it not a crying shame that in the whole of Britain there are only 22 ice rinks—two fewer than in Paris alone? Did you know there were fewer than 100 indoor tennis courts in the country, whereas France has built 1,500 in five years, and the United States has 5,000.

The Sports Council, our local authorities, and, surely, the Government, have a lot to do. Given Britain's backwardness in facilities, it is amazing that our athletes win so many international prizes. The Sports Council's annual income is just under £20m, from which, among other things, it runs six national centres, maintains headquarters and regional offices, with a mass *of advice, research and information*, makes grants of £4.6m to about 64 sports, backs other sporting bodies, etc. I only wish Lambeth's £20m could prove as productive.

RUGBY

PETER ROBBINS

Moseley look to fresh start

BESIDES sharing a fundamental preference for playing *extensive running rugby*, Cardiff and Moseley have one other thing in common. Both are currently reconstructing their sides. Comparisons with the past are easy and in view of Cardiff's glorious history such a comparison would be damaging at present. Moseley's history is as long as Cardiff's but not perhaps littered with the sames successes.

Nevertheless, in the last decade the Moseley club has become synonymous with success in a game which is maddeningly cyclical. I watched Moseley lose narrowly to Cardiff 25-26, but their coach John White will be encouraged by the way his youngish side came back from a 17-point leeway. White has been coach for three years now and will carry on for at least a further two more to complete what must for him be a grand design.

This season, Moseley have lost the experienced Field and Ayre from the pack. Field has gone back to that happy club, Walsall. Ayre has retired completely: and Eric Nutt, the captain, has been injured. Removing that experience has created problems which fortunately White foresaw and has tried to cater for. *He believes that teams must go* through failure to achieve success so this season may be educational for many of his players.

The problem of good second-row forwards is not unknown and although Davidson and Tuckwood may not be world beaters, they won plenty of line-out balls and like the other members of the pack kept going until the Cardiff pack was finally subdued. Cox took two strikes against the head from Phillips, the Welsh hooker, and Astley and Corless—his props—make up a very useful front row. Astley ought to have made the divisional side, but he is only just getting fit after injury and absence on police duties. He has much potential, as has the flanker Ball.

It is good to see Jeavons now actively trying to impose his considerable presence on the game. His international experience is now showing and is a fillip to the others.

Perhaps "mature" is the nicest way of describing Moseley's competent *half-backs* Gifford and Martin Cooper. But that calm maturity is essential with such young backs. The most determined of them was Goodwin, on the left wing, who ignored reputations and ran strongly at Cardiff causing no end of problems. Determination is one thing, but he will have to develop ball skills to go any further in the game. At least the basic aggression and courage was there. Perry looked happier at centre and ran cleverly off the ball. But it was unfortunate that Metcalfe should miss three penalties because those misses rather spoiled a sound performance.

Cardiff as a team did not seem particularly fit to me except for the flankers Lewis and Gelding, who both lent tremendous support to their backs. The pack really lacks physical presence but *technically it is well-drilled*. Of course, as at Coventry with Rose and Davies, Cardiff depend almost entirely on the genius of their international half-backs, Holmes and Davies.

Holmes is obviously not fully fit yet but even so Moseley found him an uncomfortable handful. It was his long pass that put Davies well out of range. Davies individually was subdued in his running but his kicking was wonderfully accurate. He did attempt one break but was quickly brought down. It is safe to assume that both he and Holmes are saving themselves for greater things.

There may be skill outside this, but it was very difficult to assess because Cardiff frequently over-elaborated. Their right-wing Evans looked quick and decisive but it was frustrating that Cardiff were unable to work the ball to him with a clear glimpse of the line.

Vayrann for Laurel

RACING

DOMINIC WIGAN

NINE DAYS ago the strongest field for a Turf Classic assembled at Aqueduct, New York. It now seems certain racegoers are to be treated to another memorable spectacle as Laurel's most impressive field in years takes shape for the 30th *Washington DC International*.

In addition to attracting the first five home in New York the International has lured Beldale Flutter from England, Cairn Rouge from Ireland and a French-trained candidate, Vayrann.

Although Tony Murray has proved a highly competent and reliable ally to Cairn Rouge over the past couple of seasons Piggott takes over on Saturday.

Trained by Michael Cunningham, the Champion Stakes winner of 1980 will have her followers but it is difficult to envisage the switch in jockeys or any other foreseeable factor enabling her to turn the tables on Vayrann.

The Aga Khan's colt looked better than ever in this year's Champion Stakes and will not be inconvenienced by Laurel's tight left-handed circuit.

Vayrann seems sure to go well. Beldale Flutter's supporters must also hope that their Newmarket colt can carry England's colours with distinction.

Beldale Flutter, ridden by Pat Eddery, will go to Maryland a fresher horse than any in the field and will be better served than most should the ground come up soft as is usually the case.

LEICESTER
2.15—Danish Express***
2.45—French Knot*
3.45—Pale Moon**

TELEVISION

Chris Dunkley: Tonight's Choice

If you have a video recorder or can wheedle an early train home there is a rare treat on BBC-2 at 5.40: a repeat of the first-ever episode of Dr Who, starring William Hartnell. The trouble is that the other three episodes of the story (from 1963) go out on successive evenings at the same time. Slightly later BBC-2 starts repeating another series which I found peculiarly addictive: Living In The Past. A group of young people contrived to live in the west of England for a year in pre-historic conditions, and though you may discover little about the iron age you learn quite a lot about today's human relationships.

Still in BBC-2, Horizon has been to Russia to try to discover how successful Soviet scientists really are, and tonight's programme shows the first of their two-part investigation. They visited "Academic City" which was built in Siberia 20 years ago and lured many of Russia's best scientific brains to set up research institutes. Horizon shows the laboratories, libraries and classrooms and interviews some of the teachers and students. The conundrum is this: Russia has the highest infant mortality rate in Europe and imports chemical processing plants from Britain and computers from the U.S.; if their science isn't giving the Russians a lead in technology what are we so worried about?

BBC 1

9.05 am For Schools, Colleges. 10.00 You and Me. 10.15-12.07 pm For Schools, Colleges. 12.30 News After Noon. 12.57 Regional News (for England (except London), London and S.E. only: Financial Report, and News Headlines. 1.00 Pebble Mill At One. 1.45 Chock-a-Block. 2.01 For Schools, Colleges. 3.00 See Hear! 3.25 Delia Smith's Cookery Course. 3.53 Regional News for England (except London). 3.55 Play School. 4.20 Laurel and Hardy cartoon. 4.25 Jackanory. 4.40 Jigsaw. 5.05 John Craven's Newsround. 5.10 Blue Peter with Simon Groom, Sarah Greene and Peter Duncan.

5.40 News.

6.00 Nationwide (London and South East only).

6.25 Nationwide, including Watchdog.

6.55 Angels.

7.20 Blake's Seven.

8.10 Panorama: On the day nominations close in the election for the miners' leader, Panorama reports on the coming contest.

9.00 News.

9.25 The Monday Film: "Impasse," starring Burt Reynolds and Anne Francis.

11.00 Film '81 with Barry Norman.

11.33 *News Headlines*.

11.35 Speak for Yourself. Making effective use of English in everyday situations: "Making an Appointment."

BBC 2

9.15 am Write Away.
9.30 CBI Conference.
11.00 Play School.
11.25 CBI Conference.
12.30 pm Speak for Yourself.
1.55 A Woman's Place?
2.20 Let's Go.
2.35 Inside Japan.
3.05 *Television World*.
3.30 Languages For Life.
†3.55 Star Movie: "A Stolen Life," starring Bette Davis, Glenn Ford and Dane Clark.
†5.40 The Five Faces of Doctor Who.
6.05 The Adventure Game.
6.50 Cartoon Two.
6.55 Living In the Past.
7.25 News Summary.
7.30 Tales of Twelve Cities.
8.10 Des O'Connor Tonight.
9.00 Kelly Monteith.
9.30 Horizon.
10.20 The Innes Book of Records.
10.45 Newsnight.
11.30 Heute Direkt.

LONDON

9.30 am Schools Programmes. 12.00 Cockleshell Bay. 12.10 pm Rainbow. 12.30 Doctor. 1.00 News, plus F.T. Index. 1.20 Thames News with Robin Houston. 1.30 Farmhouse Kitchen. 2.00 Money-Go-Round. Joan Shenton and Tony Bastable investigate more consumer complaints. 2.30 CBI Conference. 3.45 The Andy Williams Show. 4.15 Bugs Bunny. 4.20 The Sooty Show. 4.45 Theatre Box. 5.15 Diff'rent Strokes.

5.45 News.

6.00 Thames News, with Andrew Gardner and Rita Carter.

6.25 Help!: "The Seven Setbacks of the Sethacks." Episode 5: A Setback for Carry.

6.35 Crossroads.

7.00 Bullseye.

7.30 Coronation Street.

8.00 Astronauts.

8.30 World in Action.

9.00 Quincy.

10.00 News.

10.30 "The Dain Curse." Part One: with James Coburn, Hector Elizondo, Jason Miller and Jean Simmons.

12.20 am Close: Sit Up and Listen with Gordon Honeycombe.

†Indicates programme in black and white

All IBA Regions as London except at the following times:

ANGLIA

1.20 pm Anglia News. 3.45 The Electric Theatre Show. 5.15 University Challenge. 6.00 About Anglia. 6.30 Survival. 10.30 Anglia Reports. 11.00 A New Kind of Family. 11.30 The Monte Carlo Show. 12.30 am Reflection.

ATV

1.20 pm ATV News. 2.00 Domestic Incident. 3.45 Money-Go-Round. 5.15 Joe 90. 6.00 ATV Today. 10.30 Left, Right and Centre. 11.10 ATV News. 11.15 The New Avengers.

BORDER

1.20 pm Border News. 2.00 Untamed World. 3.45 Money-Go-Round. 5.15 Survival. 6.00 Lookaround Monday. 6.15 Brain of the Border. 6.45 The Black and White Picture Show. 10.30 The Jim Davison Show. 11.00 RL Action. 11.45 Border News Summary.

CHANNEL

1.20 pm Channel Lunchtime News, What's On Where and Weather. 2.00 Hands (Dublin Work Horses). 3.45 Money-Go-Round. 5.15 Happy Days. 6.00 Channel Report. 6.25 School Report. 6.35 Encore. 10.28 Channel Late News. 10.34 Ladies Man. 11.00 That's Hollywood. 11.30 News and Weather in French.

GRAMPIAN

1.20 pm North News. 3.45 Survival. 5.15 Mork and Mindy. 6.00 North Tonight. 6.30 Out of Town. 10.30 Cover to Cover. 11.00 The New Avengers. 12.00 Going Out. 12.30 am North Headlines.

GRANADA

1.20 pm Granada Reports. 3.45 Play It Again. 5.15 Flintstones. 6.00 Granada Reports. 10.30 Ladies' Man. 11.00 RL Action. 11.45 Hagen.

HTV

1.20 pm HTV News. 3.45 Survival. 5.15 The Flintstones. 6.00 Report West. 10.28 HTV News. 10.30 "The New Centurions," starring George C. Scott.

HTV Cymru/Wales—As HTV West except: 12.00-12.10 pm Flalabalam. 4.45-5.15 Ser. 6.00 Y Dydd. 6.25-7.00 Report Wales. 8.30-9.00 Yr Wythnos.

SCOTTISH

1.20 pm News and Road and Weather. 2.00 Survival. 3.45 Money-Go-Round. 5.15 Emmerdale Farm. 6.00 Scotland Today. 6.40 Crimedesk. 10.30 About Gaelic. 11.00 Masterclass. 11.30 Late Call. 11.35 Hammer House of Horror.

SOUTHERN

1.20 pm Southern News. 2.00 House-party. 2.25 Cartoon. 3.45 Money-Go-Round. 5.15 Happy Days. 6.00 Day By Day. 6.30 Diff'rent Strokes. 10.35 Thriller. 12.00 Superstar Profile.

TYNE TEES

9.20 am The Good Word. 9.25 North East News. 1.20 pm North East News and Lookaround. 3.45 Father Dear Father. 5.15 Happy Days. 6.00 North East News. 6.02 Ladies Man.

ULSTER

1.20 pm Lunchtime. 3.45 Stars on Ice. 4.13 Ulster News. 5.15 Joe 90. 6.00 Good Evening Ulster. 10.29 Ulster Weather. 10.30 Ulster Landscapes. 11.00 Conor. 11.30 Bedtime.

WESTWARD

12.27 pm Gus Honeybun's Birthdays. 1.20 Westward News Headlines. 2.00 Hands (Dublin Work Horses). 3.45 Money-Go-Round. 5.15 Happy Days. 6.00 Westward Diary. 10.32 Westward Late News. 10.34 Ladies Man. 11.00 That's Hollywood. 11.30 Faith for Life. 11.35 West Country Weather and Shipping Forecast.

YORKSHIRE

1.20 pm Calendar News. 3.45 Make Mine Music. 5.15 Survival. 6.00 Calendar (Emley Moor and Belmont editions). 6.35 It's a Vet's Life. 10.30 Benson. 11.00 RL Action. 11.45 Run from the Morning.

RADIO

RADIO 1

(S) Stereophonic broadcast
‡ Medium Wave

5.00 am As Radio 2. 7.00 Mike Read. 9.00 Simon Bates. 11.30 Dave Lee Travis. 2.00 pm Paul Burnett. 3.30 Steve Wright. 5.00 Peter Powell. 7.00 Stayin' Alive. 8.00 David Jensen. 10.00-12.00 John Peel (S).

RADIO 2

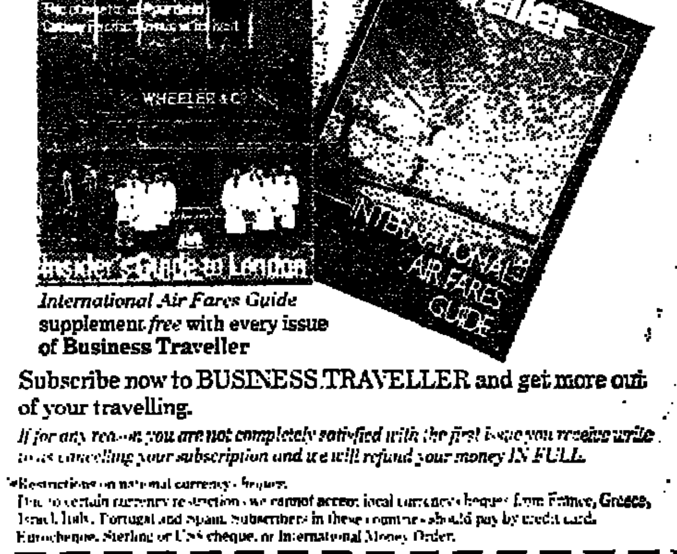
5.00 am Ray Moore (S). 7.30 Terry Wogan (S). 10.00 Susannah Simons. 12.00 John Dunn (S). 2.00 pm Ed Stewart (S). 4.00 David Hamilton (S). 5.45 News; Sport. 6.00 David Symonds with Much More Music (S). 8.00 Folk on 2 (S). 9.00 Humphrey Lyttelton with the Best of Jazz (S). 9.55 Sports Desk. 10.00 Pop Score. 10.30 Star Sound. 11.00 Brian Matthew with Round Midnight. 1.00 am Truckers' Hour (S). 2.00-5.00 You and the Night and the Music (S).

RADIO 3

6.55 am Weather. 7.00 News. 7.05 Morning Concert (S). 8.00 News. 8.05 Morning Concert (continued). 9.00 News. 9.05 This Week's Composer: Darius Milhaud (S). 10.00 Boyce and his Contemporaries (S). 11.00 Scottish National Orchestra (S). 1.00 pm News. 1.05 BBC Lunchtime Concert from St John's, Smith Square, London. 2.05 Matinee Musicale (S). 3.00 New Records (S). 4.55 News. 5.00 Mainly for Pleasure (S). 7.00 Poulenc's Flute Sonata (S). 7.15 Medium and Message. 8.00 Royal Philharmonic Orchestra concert from the Festival Hall, London, part 1: Thea Musgrave (S). 8.50 Livings. 9.10 Concert, part 2, Elgar, Mendelssohn (S). 10.00 Conversations with Artists. 10.30 Jazz in Britain (S). 11.00 News. 11.05-11.15 Sinding (S).

RADIO 4

6.00 am News Briefing. 6.10 Farming Week. 6.25 Shipping Forecast. 6.30 Today. 8.35 The Week on 4. 8.45 The Dream Woman by Wilkie Collins. 9.00 News. 9.05 Start the Week with Richard Baker. 10.00 News. 10.02 Money Box. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.05 Down Your Way. 11.50 Poetry Please! 12.00 News. 12.02 pm You and Yours. 12.27 What Ho! Jeeves. 12.55 Weather, programme news. 1.00 The World at One. 1.40 The Archers. 1.55 Shipping Forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 Afternoon Theatre (S). 4.35 What a Job! 4.45 Story Time. 5.00 PM. News Magazine. 5.50 Shipping Forecast. 5.55 Weather; programme news. 6.00 News including Financial Report. 6.30 The News Quiz (S). 7.00 News. 7.05 The Archers. 7.20 Start the Week with Richard Baker. 8.00 The Monday Play. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 Science Now. 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Poetry for Supper. 12.00 News.



TECHNOLOGY

EDITED BY ALAN CANE

FIAT: now robots for engine assembly

BY JOHN GRIFFITHS

TWELVE MONTHS ago, productivity at Fiat and Lancia was roughly 20 per cent below the standards of the West German and French car makers. Today, according to production director, Cesari Brocca, it is on a par with them.

A substantial part of the gain is due to last year's extensive job cuts to curb over-manning. But another part is due to the company's strong and increasing commitment to robotisation and computer control.

Fiat has just put on show its latest, major venture down this path, which extends to engine assembly the principles contained in its "robogate" assembly system for car bodies. (The latter became well known to TV viewers of its advertising campaign at the launch of the Strada in the late 1970s.)

The new system, LAM (standing for asynchronous engine assembly), has cost Fiat between £8m and £10m.

Like robogate, the system depends on computer-controlled trolleys moving components for assembly to work station. Unlike robogate, where bodies are put together almost entirely by welding robots, the assembly is mostly carried out by workers.

That, however, applies only to the current range of engines being built. The next generation of power units will be designed specifically for the LAM process so that in the next few years engine assembly also is likely to be handled almost completely by robots.

The LAM system at present uses 37 battery-powered trolleys travelling at up to 2.5 mph on magnetic tracks network totalling five miles. Each trolley, which collects a magnetic card carrying instructions for the precise engine to be built, can carry two engines. It delivers basic engine blocks and crankshafts to the first station, collects them when the first phase of assembly is completed and moves them on to the next station.

Rejection

There are a total of ten work "islands," each of which has 12 work stations, of which one in each island is used for rectification. Each island is controlled by a micro-computer, which in turn receives its instructions from one of three computers which control the entire system.

Because the work stations at each island carry out the same tasks, workers can proceed at their own pace and even take a break without disrupting the overall process, as would happen on a conventional transfer line. Engines can also be "parked" at either side of the work station so that there is no delay between a trolley removing finished units and bringing new ones.

Currently, because engines being built were not designed for the process, the system marries both the trolley feeding system and transfer lines. The latter — of which there are four —are used for certain simple and identical operations such as the tightening of cylinder head bolts.

Introducing the system has improved efficiency in three specific areas: rejection rates of finished engines, says Sig Brocca, have been halved, to 7½ per cent.

Twenty per cent fewer workers are now each producing 4.3 engines per shift against three previously, and the direct labour time per engine has been cut by 25 per cent.

Most important, however, output rates are no longer geared to the most complex unit in the family of engines being built. Under the pressure of widely varying emissions and other legislation and differing market demands, manufacturers are required to build a huge number of variants of any given engine. In the case of those going through the LAM system at the main Mirafiori plant in Turin, there are 110 different detailed specifications for the engines which will find their way into the Strada/Ritmo, Lancia Delta and X1/9 sports car ranges.

At this level of complexity, Fiat insists, computer control of engine assembly is rapidly becoming not so much desirable as mandatory. And its Comau industrial equipment and product planning subsidiary is already talking to other manufacturers about the sale of the LAM system.

Meanwhile, Fiat is pressing on with the introduction of yet more robots in other parts of the operation. Another 100 will be added next year to the 300 already in use. Many of them will go into an extension of the robogate system at the Rivolta plant making Stradas, which from next year — as a result of mounting robots at each gate on slides — will be producing both the Strada and a new, larger car simultaneously. They will also be carrying out 98.5 per cent of all spotwelds, against 86 per cent now, cutting the direct labour time per body from five hours to 3.5.

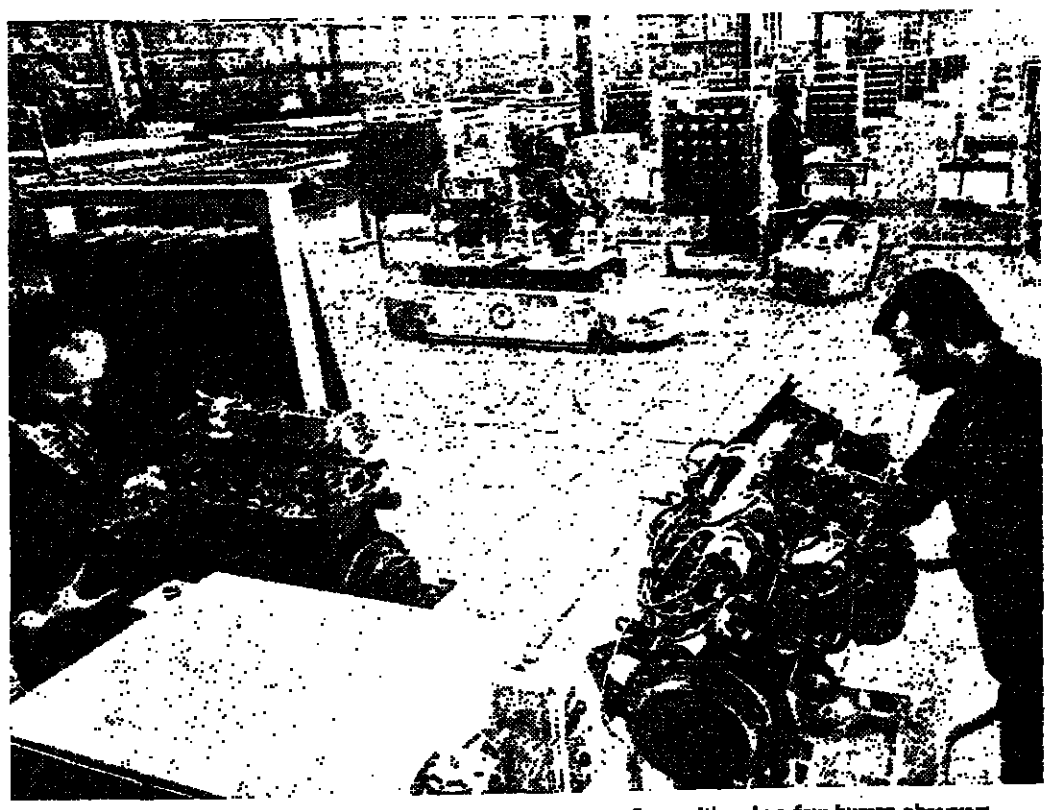
Early next year, too, will see the introduction of a "seeing" robot, currently proving itself by bolting hinges to Strada doors. The model in use uses a TV system from Fairchild and the robot itself is from ASEA, though the two have been mated by Fiat's research centre and will eventually be built by Comau.

Mandatory

Fiat says it is the first in Europe and its applications will eventually extend well beyond simple assembly tasks. In its first application, it is designed to install a pair of hinges in 18 seconds, against 46 seconds manually.

Fiat also showed another innovation, a 2.5 kw laser "cold" welding system, developed by Fiat research which has been working for only a few weeks but has important implications for the future manufacture of components.

Its advantage is that it can join components, even of different materials, without heating and distorting them. It means, says Fiat, that many components — of a gearbox, for example — currently machined as one piece and which are relatively bulky because of the maching process, can be made in smaller sections and then joined. The prospects for both weight- and space-saving are thus considerable, Fiat says.



Robots move and manipulate parts on the Fiat factory floor with only a few human observers

Conserving the 'Mary Rose'

ALTHOUGH the glamour in recent weeks associated with undersea recovery has belonged to the divers lifting gold bars from HMS Edinburgh, another seabed operation is using modern techniques to preserve 400-year-old relics.

The Conservation Department of the Mary Rose Trust in Portsmouth, charged with the preservation of items recovered from the four-masted carrack, which sank in the Solent in 1545, has called in Conair Churchill of Uxbridge to save the relics from deterioration when exposed to the atmosphere.

President of the Trust is the Prince of Wales, who has made several dives to the wreck to see the recovery work. The ship is believed to have been the flagship of Vice Admiral Sir George Carew.

The problem is that organic material such as leather or wood after prolonged saturation in water loses its mechanical strength and it is necessary to replace the water by a preservative—in this case polyethylene glycol (PEG).

The Conservation Department, using a Conair Churchill 1.0 series chiller thermocirculator and a Mark 2 oil circulating control unit has established two methods of ensuring that relics are impregnated with PEG.

The thermocirculator is connected to a freeze drying unit—a 2.5m stainless steel chamber wrapped in 30m of 15 mm of copper tubing. In the freeze dryer the reclaimed relics are reduced to an overnight temperature of minus 20 deg C and then stabilised at minus 10 deg C. Ice formed is vapourised under vacuum conditions.

The preservation process can take several months, although leather articles may require only two days treatment. The system appears to be ideal for smaller items but for larger articles the conservation department has set up a much larger treatment bath.

In this, a temperature control unit circulates the PEG solution, maintaining its temperature at 45 deg C (higher temperatures can discolour the objects). Again the process can last several months but eventually at least half of the water saturation will have been replaced by the preservative.

The work is being undertaken by scientists from Portsmouth's Museum.

Conair Churchill is on Uxbridge 58181. The freeze dryer supplied by Edwards High Vacuum (Crawley 28844).

Harwell in £280,000 project to join composites to metal

THE COMPLE technology of joining composite materials to metals is the subject of an important new research and development programme at the UK Atomic Energy Authority's Harwell laboratory. The objective is to save energy in transport by reducing vehicle weight.

One half of the project, worth £280,000, is funded by the European Communities Energy Conservation and Research Programme to encourage international co-operation. The other halt is funded by the UK Department of Industry, a consortium of British and Continental vehicle manufacturers and materials suppliers, and British aerospace companies.

The project, led by Dr Peter McGeehin, will be carried out at Harwell Materials Engineering Centre (HMEC), drawing on its wide experience and skills in fibre composites, metals technology, adhesive bonding and design engineering.

Materials and joint geometries selected for investigation will reflect the potential uses of composite materials in vehicles and *aircraft*.

The participating companies include BL, British Petroleum, Ciba-Geigy Fiat, Ford, Renault, Rolls-Royce, Shell, Volkswagen, Volvo, and Westland Helicopters.

Temperature measuring and control system

A TEMPERATURE measuring and control system has been developed by the Netherlands company, Cryoson and is marketed in Britain by Cryotech (0865 391208). With only one moving part, it is a digital, solid-state system claimed to be capable of controlling temperatures from minus 199.9 deg C to plus 30 deg C and to be temperature stable to within 0.1 deg C.

The system, known as the TRL-6, obtains an unlimited refrigeration capacity through the injection of liquid hydrogen into the cooling chamber by means of a solenoid valve. No compressors are required, says Cryotech.

A pulsed injection of a precisely controlled quantity of liquid hydrogen at minus 196 deg C atomises around the materials to be cooled. The temperature is sensed by a resistance thermometer which sends a signal to an electronic controller. This, in turn, controls the solenoid valve.

The valve is normally closed but is opened by the controller to emit the required pulse of liquid coolant of a quantity just enough to compensate for a rise in temperature.

Both the set temperature and the actual temperature of the cooling chamber are displayed by digital indicators on the control panel.

Software system for word processing...

A WORD-PROCESSING software system claimed to provide full screen editing, arithmetic capacity and potential integration with other applications has been introduced by Wootton, Jeffreys and Partners (04867 80033).

Known as S.Word, the system runs on two mini-computer ranges, Prime and DEC, and, therefore, offers greater processing capacity than stand-alone systems, it is claimed. It also permits word processing to be combined with accounting or management information procedures.

Apart from arithmetic, the facilities include full screen editing through cursor control, skipping to page number or heading section, global searches, and the incorporation of subscripts and superscripts for scientific or engineering reports.

Besides standard on-screen formating features — such as margin justification, centring and underlining, tabulation, indenting, proportional and variable line spacing, and elimination of widow lines—S.Word is claimed to offer a wide variety of text manipulation facilities such as A3 page display by horizontal scrolling

...and for management information

THE latest addition to the Datasaab range of fully-integrated standard applications software packages for the Series 16 family of minicomputers *contains routines for product* data management requirements planning, materials control, production control, product costing and cost control.

Named Mimer, the software is modular in design and claimed to be easily adaptable to particular duties. It can be fully integrated with the other Datasab Series 16 software packages for order processing, invoicing and stock control (Odin), sales (Frey), purchase (Loki) and nominal ledgers (Thor).

At the centre of the Mimer package is a management system containing the functions for the rapid and simple updating of the product data on which materials requirements and workload calculations are based.

Mimer's requirements planning function is designed to take most of the guesswork out of the planning, scheduling and execution of production programmes, says Datasaab. More from 021-707 3050.

BUILDING AND CIVIL ENGINEERING

Taywood's £57m in West Africa

TWO CONTRACTS with a combined value of £57m have been awarded to companies within the Taylor Woodrow group to carry out projects in West Africa.

Taysec Construction of Accra in Ghana has a £53m project from the Ghana Highway Authority for road surfacing to be carried out over a period of five years.

Phase one of this is valued at £12m and involves the asphaltic concrete surfacing and remedial works to 70 km of major roads in Accra, scheduled to take about 18 months.

The entire project, which forms a significant part of the Ghanaian Government's scheme to upgrade the country's road network, will involve the laying of some 500,000 tonnes of asphaltic concrete surfacing in various parts of the country.

A quarry and asphalt mixing plant is to be set up near Accra to facilitate the work by providing the necessary crushed stone and asphalt.

Worth £4m, the second contract has gone to Taylor Woodrow of Nigeria by Edewor Brewery for the civil and building works required in the construction of a new brewery to be situated at Eku, Bendel State.

Project managers and design engineers are Whitbread Technical Services with design drawings prepared by Taywood Engineering.

Work has already started on site with completion scheduled for early 1983 so that the first brew will be ready for distribution by June of that year. When working at full capacity, the brewery promises to produce 300,000 hectolitres a year—or about 20,000 gallons a day.

Safeguarding the energy savers

DESPITE THE millions of pounds already spent on campaigns to exhort the public to "Save It" the Institute of Domestic Heating and Environmental Engineers (IDHE) says that, although consumers are more aware of the need to conserve energy, they appear slow to practise what has been preached.

With the Department of Energy now embarking on another £8m conservation campaign, the IDHE has been putting across its own message in the shape of the Energy Efficient Equipment exhibition, held last week at the Building Centre.

Members of the Institute were on hand to deal with inquiries, and design and consultancy services available were discussed with members of the IDHE's Consultancy Group (which provides regular professional services at the Centre).

Copies of the Institute's publications were available (including the Standard Specification for Heating Installations) and 13 exhibitors displayed a comprehensive range of controls, heat pumps, insulation, boilers and solar equipment.

The main concern of the Institute, however, is the growing number of doorstep mavericks who press purchasers into buying expensive and, sometimes, quite useless control systems.

Some "cowboy" operators have been persuading customers to part with between £400 and £1,200 for what in most cases is nothing more than good sales chat, glossy literature and low technology built into small boxes with flashing lights.

The concept of controlling input of energy into any heating system has never made more sense, and even the shady operators might be unwittingly aiding the energy conservation programme by at least alerting consumers to the fact that they are wasting money on unnecessarily high heating bills.

Control essential

Of all the improvements that can be made to heating installations, good control is the most essential, says the Institute. But it seems that only in the last few months has the public started to appreciate this fact.

The Institute wants people to know that a simple thermostat can be bought at most merchants for about £10, a very sophisticated time control for around £30, and £8 could buy a thermostatic radiator valve.

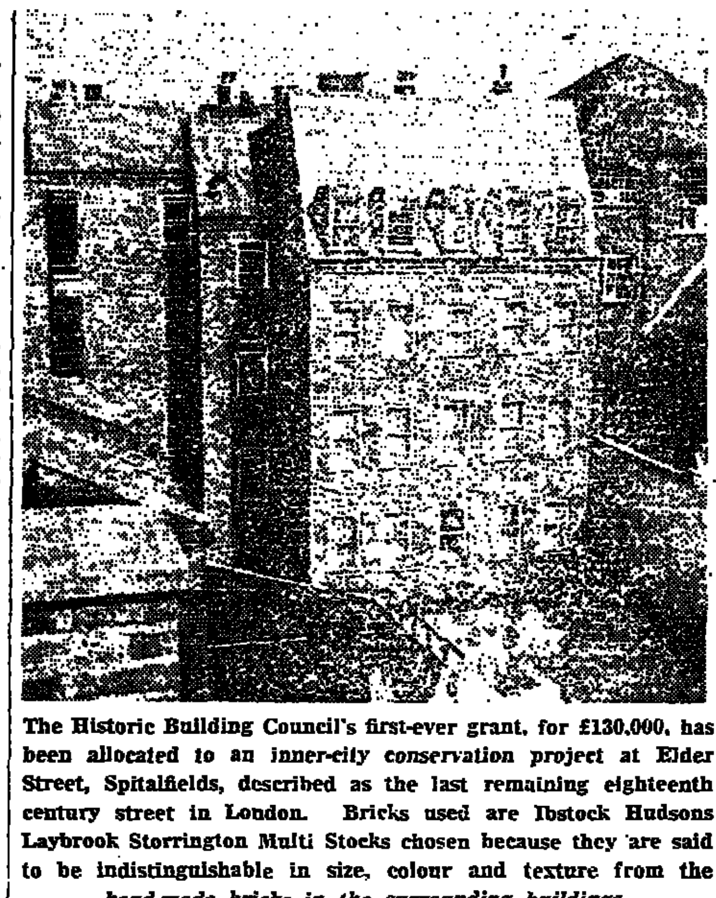
The complete installation of weather sensing controls starts at about £200; a zoned ground floor/first floor heating/hot water control at a little over £200.

In fact, were a consumer to spend £300-£400, this would include almost everything possible for an average-sized property, and the payback period makes it an attractive proposition.

Last week's exhibition included items which were particularly relevant to the subject of energy efficiency, all made by established and well-respected names in the controls industry.

It is up to the customer to resist the high-pressure merchants and bother to take a trip to their local Builders Merchants Federation member's showroom where most traders stock recognised makers' equipment and refuse to deal with manufacturers who don't provide a good back-up.

DEBORAH PICKERING



The Historic Building Council's first-ever grant, for £130,000, has been allocated to an inner-city conservation project at Elder Street, Spitalfields, described as the last remaining eighteenth century street in London. Bricks used are Ibstock Hudsons Laybrook Storrington Multi Stocks chosen because they are said to be indistinguishable in size, colour and texture from the hand-made bricks in the surrounding buildings.

Motorway section start

WORK SHOULD start soon on the M27 motorway Chilworth-Stoneham section for which Cementation Construction has gained the £12.5m award.

Starting where the Chilworth Link joins the Cadnam-Chilworth section of the M27, the new section will continue in a south easterly direction through Chilworth, under the A33 at Bassett to Stoneham Lane. Work includes the construction of the Bassett Link which, complementing the Chilworth Link, will connect the M27 to the east with the Otterbourne and Chandlers Ford bypass (A33).

The decision to go ahead with proposals for construction of a southerly link between the proposed M27 interchange at Stoneham and Swaythling was announced on May 13 last. Draft proposals are expected to be published shortly and, the Ministry of Transport says, they will be open to objection in the usual way and a public inquiry may be held.

Artificial islands offshore

BOSKALIS WESTMINSTER Middle East has won a U.S. $11m contract to construct two artificial islands offshore Abu Dhabi for exploration drilling by Abu Dhabi company Onshore Oil Operations (ADCO).

These will be in shallow water 56 and 100 km from Abu Dhabi and each island will measure 190 by 380 metres and incorporate a work harbour.

The first island will undergo construction this month (with a finishing date next February), and the other is expected to be completed some three months later.

Involved in the work is dredging of two access channels, 1.5 and 1.7 km long. The dredged spoils from the channels and harbours will be used to form islands in a continuous dredge and reclaim operation.

Prime mover will be the cutter suction dredger W. D. Enterprise which will be supported by self-contained, floating accommodation units and workshops.

The islands are called Zubaya and Halat Hail, and final works there will be the placement of sand bags to protect them from sea erosion.

New Telecom Area HQ

Y. J. LOVELL (Southern), part of Lovell Construction Group, has announced a £7.5m contract to build a new office building at Brighton for National Mutual Life Assurance Society which has already concluded negotiations for a lease of the building to British Telecom, Brighton area headquarters.

Gross floor area, designed on four sides around a central light well, is 10,509 square metres of office accommodation. This comprises a ground and three storeys in the podium, and a tower rising to nine storeys containing offices, communications equipment, staff canteen, and staff leisure facilities. There are to be four passenger lifts and another for goods.

Two basement floors and some of the open space at ground floor level give parking for up to 25 vehicles. The excavations for the basement are into ground which varies from soft to hard chalk, and a diaphgram wall on three of the sides and a reinforced concrete retaining wall on the fourth side will support the surrounding ground structure.

This is an orthodox rc frame clad in brick and with metal window frames and panels below.

MK Electric switches into a wider market

CLAIMING TO be the world's largest manufacturer of British Standard wiring accessories, MK Electric has now launched a range of industrial plugs and sockets conforming to the international standard IEC 309.

Branded "Commando" these also meet BS 4343 and the European standard CEE 17, and comprise 424 plug and socket devices.

The body of each unit is a composite moulding of a highly rigid and mechanically tough polycarbonate housing, and an inner moulding of a high-temperature polyamide with exceptionally good tracking resistance and resistivity. MK says that plugs and sockets made from other engineering plastics cannot offer the same combination of mechanical and electrical properties, and the rigidity of the polycarbonate housing in the new range rules out the possibility of making an unsafe electrical connection.

Further advantage is the socket assembly design where the female conductor surfaces inside the polyamide mouldings are presented to the opposite metal surface by a patented stainless steel spring device which ensures a firm metal-to-metal contact even when the unit has undergone thousands of make/break cycles.

Applications will include general power supplies, motor connections, welding plant, fans, pumps, portable tools, refrigeration plant, generators, transformers, lighting, supply extensions, traffic signs, studio applications, and any form of temporary wiring.

Unlike other suppliers of industrial plugs and sockets, the company will deal solely through wholesalers and has already selected 80 major distributors throughout the UK.

More from MK, Shrubbery Road, Edmonton, London N9 (01-803 3355).

Roadworks in Scotland

TWO MAJOR construction contracts with a total value of £4.5m have gone to Tractor Shovels (Contracts), the Fife-based public works contractor of London and Northern Group, which will provide two sections of dual carriageway in Scotland.

West of Perth, the company will construct the six kilometre Bruxden to Burnside section of the A9 for the Tayside region and Scottish Development Department.

Further south, near Dunbar, will be the fourth phase of realignment of the A1 London to Thurso trunk road for the Scottish Development Department.

In north-west England, London and Northern's subsidiary, Border Engineering, has a £¼m job for carrying out alteration work for Mitchells Brewery of Lancaster.

Cheaper shuttering

NOW AVAILABLE to the building, construction and civil engineering industries is a range of formwork panels, called Agepan developed by a West German timber products company.

Made from resin-bonded chipboard, the panels are formed from five layers of varying density, with the highest density in the outside layers (stated to be twice as hard as softwood veneers).

Produced in panel sizes up to 5,510 mm (18 ft) x 2,000 mm (6 ft 6 in) and in thicknesses up to 22 mm, the panels can be easily cut to size on site, preferably using a carbide tipped circular saw.

Many advantages are claimed for the panels when used to construct shuttering for concrete. The large panel sizes reduce the number of joints, and less cutting both in the factory and on site. The concrete surface requires no further treatment, and the panels have much higher than usual re-use potential—some panels have been used 36 times.

Perhaps the most important saving is in the price. The manufacturer says that, taking the price of an Agepan panel (RS Special specification) as 100, then Douglas Fir plywood panels are 106, untreated face birch panels are 210, phenol faced birch panels are 248. RS Special film faced is more expensive at 128. Actual cost of an Agepan panel is around £4.50 a sq metre.

The panels are made by Agepan Holzwerkstoffe KG, Eiweiler, West Germany, a member of the Glunz Group. Marketing in the UK and Eire is by Thomas Simpson and Co., Oxted, Surrey (08833 7551).

TONY FRANCE

Bahamas project

THE INTERNATIONAL division of Rush and Tompkins Group, Reed and Mallik, has been awarded a £2m project for a fish landing complex at Potters Cay, Nassau.

This involves new offices, general purpose buildings and the erection and fitting out of a cold store together with dredging and filling works with additional new docking face in 12 and 15 feet of water.

The Hongkong and Shanghai Banking Corporation

Incorporated in Hong Kong with limited liability

Rights Issue of 167,135,097 shares of $2.50 each ("the Rights Shares")

Liability for the Final Call

At the close of business on 30 October 1981, payment of the Final Call of HK$6 per partly paid Rights Share which was due on 22 October 1981 had been received in respect of approximately 164.6 million Rights Shares (98.5%).

Under the terms of issue of the Rights Shares, failure to pay the Final Call when due renders the relevant partly paid Rights Shares liable to forfeiture for the benefit of the Bank and the holder liable to pay the amount unpaid, together with interest thereon at a rate determined by the Directors.

In order, however, to assist holders of partly paid Rights Shares who have overlooked their obligation to make payment by 22 October 1981, the Directors of the Bank have decided not to implement the right to forfeit the Rights Shares, provided that payment of HK$6 per Rights Share, together with interest at the rate of 20 per cent per annum on the amount overdue from 22 October 1981 until the date of payment, is made not later than 3.00 p.m. (Hong Kong time) on 15 December 1981.

To make payment of the Final Call, shareholders should send their partly paid certificate(s) to the office of The Hongkong and Shanghai Banking Corporation at China Building, 29 Queen's Road Central, Hong Kong, together with a remittance for the full amount of the Final Call plus an amount representing interest at the rate of HK$0.33 per day for every 100 Rights Shares. For the purposes of calculating the amount of interest due, both 22 October 1981 and the date of payment should be included. All remittances must be in Hong Kong dollars and cheques should be made payable to "The Hongkong and Shanghai Banking Corporation".

By Order of the Board
F R Frame
Secretary

Hong Kong, 2 November 1981

Barclays says goodby to the generalist banker

William Hall on why the UK's biggest bank is undergoing a fundamental re-structuring

Deryk Weyer (left) believes management structures must adjust to take account of market changes, such as the switch to technology-based systems like Barclaybank (centre). A key figure in the re-structuring is John Quinton (right), who takes over as senior general manager in January

WHEN YOU are the most successful clearing bank in the UK and one of the most profitable banks in the world, there must be a *temptation not* to meddle with a winning formula. But that is just what Barclays Bank is doing in a fundamental reorganisation of its UK head office structure.

The days when the bank's top management "did a bit of everything," as UK chairman, Deryk Weyer, puts it, are over. For the first time the bank has begun to impose clear lines of responsibility for its senior management team, splitting them into line banking and support roles.

The reorganisation has been initiated by Weyer, who took over as chairman of Barclays Bank UK, on October 1 1980. Having spent 12 years in the *bank's top management team*, first as general manager, then senior general manager and finally as group vice-chairman *in charge of finance* and planning, Weyer has fairly strong views on how a clearing bank should be organised to cope with the increasingly competitive environment.

He believes that the era of high clearing bank profits has lulled senior clearing bank management into a sense of false security. "It has rarely been absolutely essential to do very difficult things and only too easy to dodge unpopular decisions.

"Paradoxically, for one dealing in other people's finance, the financial criteria for some banking decisions has been, over the years, insufficiently rigorous. Lack of financial rigour creeps in when an industry is going through a prosperous period."

Weyer is widely regarded as one of the more thoughtful spokesmen in the UK banking industry and has long argued the need for more professional management at the top of Britain's clearing banks. A former president of the Institute of Bankers, the industry's training body, he believes that "the day of the generalist could soon be over. Special skills for particular products will be needed."

One of his first tasks on taking over as chairman of Barclays Bank UK from Tim Bevan, who moved into the group chairman's seat, was to take another look at the bank's UK head office structure.

Weyer aims to retain the "collegiate" approach—whereby a group of trusted colleagues thrash out a common policy for the UK operations—but he wants to make his senior managers more individually accountable.

The transformation has not been without its problems. Weyer has tried to smooth the path by substantially increasing the discretionary lending authority of local managers. He admits that some of his general managers liked the variety of the old system but stresses that the changes have been made only after slow and careful consideration.

The management reorganisation owes much to Weyer's belief that banking is evolving into three distinct markets: the large corporate market; the *middle market* of medium and small businesses, the professions and the traditional personal customers; and, finally, electronic banking for the mass consumer market.

He argues that the trend is towards handling corporate and personal services quite separately and this means that the traditional training and career development of the bank's managers needs over*hauling*.

"Some people will still need to understand the intricacies of payment instruments, such as the cheque; others will have to understand the procedure for taking collateral security but far fewer than before," says Weyer.

Militant

Under the new organisation, which comes into operation on January 1 1982, when John Quinton, one of the general managers, *takes over as senior* general manager, each of the six general managers is being given a portfolio of specific *responsibilities*.

Only Stuart Errington, the managing director of Mercantile Credit, the finance house subsidiary, and Bob Sale, general manager (staff), remain unaffected by the changes. Weyer argues that Mercantile Credit does not split into easy areas, and on the staff side, Barclays, in common with the other banks, has traditionally had a general manager (albeit a banker) specialising in staff affairs. Weyer admits that Sale's job is probably the most diffi*cult of any as the clearing banks* face up to the more militant mood of the unions.

The first of the new faces to *emerge as a result of the* reorganisation is that of Owen Rout, who becomes a general manager at the start of next year, and assumes responsibility for the bank's 3,000-odd UK branches.

He will be personally responsible for running the network and achieving specific targets such as savings account and home loan volumes; he will be the line banker and most of the *bank's lending will* come under him.

The key man on the retail banking side is Brian Pearse, an *ex-Martins banker* (*Martins* merged with Barclays in 1968), who has been given responsibility for retail services. This is primarily a policy and support role but will include line responsibility for Barclaycard—for which the bank has high hopes over the long term.

Among other things it will be Pearse's job to work out the speed with which the bank "goes plastic" and assess how this will affect other products, such as cheques.

Humphrey Norrington, who takes over the new job of general manager (resources), is one of the younger generation of general managers now surfacing at the top of Barclays. Unlike most of his predecessors he is university educated (Oxford) and has been given the task of looking after such things as the bank's capital hungry automation programme and the huge property portfolio.

Weyer stresses the extreme complexity of bank automation and the high capital investment involved. But he insists that the "only way to serve the mass personal market is through the development of systems rather than a proliferation of people."

He regards the labour intensiveness of the present money transmission system as a major constraint on the UK banking industry and it will be Norrington's job to see that Barclays makes the most efficient use of the new technology.

Probably the most interesting part of the reorganisation is Barclays' first tentative steps into the field of segregating its corporate and personal customers. Andrew Buxton, like Norrington, an *old Wykehamist* and Oxford educated, has been given charge of servicing the bank's large corporate clients.

McKinsey and Co., the consultants brought in to help advise on the reorganisation, had suggested that Barclays take *their clients in* The Times Top 1,000 Companies in the UK and transfer responsibility for servicing them from the local level and into a new head office division. In the event, Barclays has been considerably more cautious. It is sensitive to the impact any *such move would have on the* morale of its branch managers, many of whom enjoy building up business relationships with their large customers.

Local branch

Over the last 18 months the bank has looked at each of the Top 1,000 companies to see whether their needs could be served any more effectively and whether it would be in the bank's interest to increase (or decrease) its share of their customer's business.

To this end the bank has appointed eight corporate finance directors who are engaged full-time and exclusively on looking after Barclays relationship with a few (between 15 and 20) important customers. So far 120 companies have been put into this new division, headed by Buxton, thus removing responsibility from the branch level.

The bank has been very selective about breaking the links *between clients and local branch* managers, alike the Midland Bank which has gone much further down this route—the wis*dom of this strategy has yet to* be proved.

In the West Riding of Yorkshire, for example, Barclays' 80 branches *service 16* companies in The Times 1,000 companies. Only three have been transferred to Buxton's division, the *rest are felt to* be best served by the branch managers or local directors.

Barclays has still to decide *how best to service* the big multinational companies and it is possible that Buxton's new division, if a success, could be *the forerunner* of a group-wide large corporate division. Indeed the whole area of how far personal and corporate banking business should be segregated was high on the agenda at the bank's recent annual planning conference in Sussex.

The last change in the organisation is the appointment of the equivalent of a finance director for the UK operations in the form of Ted Bagley, the eldest member *of a generally* young management team.

"In the old days," says Weyer, "the bank's balance sheet consisted of current accounts and seven day deposits on one side, and overdrafts and loans on the other side." It is *now much more complicated* and the problem of managing the balance sheet has become a highly sophisticated affair.

While he does not want to overplay the extent of the changes in the top management structure of Barclays Bank UK, Weyer is convinced that the salad days are over for UK banks.

"Management must steel itself to get the fat of palmier days out of its organisation. The whole industry has been too relaxed about costs and it will not be easy to change—but change we must," says Weyer.

Why Phillips adjusted its timing in dash for oil

BY ALL accounts Bartlesville, Oklahoma, is something of a backwater. With a population of less than 50,000 it is, according to its residents, typical of similar-sized towns throughout the American mid-West.

It does have at least one claim to fame, however. It is the headquarters of Phillips Petroleum, which ranks among the top 12 U.S. oil companies.

Twelve years ago the company came to Britain to get in on North Sea oil. For most of that period the UK company's 1,200 employees were working at a frenetic pace to get the oil ashore from the company's Ekofisk investment—and basic personnel issues were largely neglected.

While all this activity was taking place the company's top executives—all U.S. nationals—had been overlooking a potentially serious problem in the London office, headquarters of the group's Europe/Africa division. Unknown to them, morale was low—all because the U.S. managers would not adapt their strict timekeeping habits to local London conditions.

The problem, predictably enough, had its origins back in Bartlesville, where most employees live within a 20-minute drive of their offices. Timekeeping in Oklahoma, it seems, is not a problem.

In London, however, it is a different story. Most employees have to wrestle with the untimely behaviour of London Transport and British Rail—and strict adherence to a fixed clocking-in time is impossible.

The U.S. managers however—obviously with Bartlesville in mind—disagreed and showed their unspoken disapproval. This often took the form of peering round doors and glancing at their watches when an employee arrived late.

To harassed London commuters this was harsh treatment. To them, a change of attitude was warranted.

Unfortunately, management was too busy getting oil out of the ground to worry about what the workforce thought—until recently that is, when the company decided to conduct a communications audit and attitude survey.

The grievance was identified quickly—and almost immediately introduced, Flexitime, a system of variable working hours.

According to David Turtin of Binder Hamlyn Fry, the management consultants, commissioned to undertake the attitude survey, Phillips' UK executives "had no idea of the distress being caused by management popping heads round doors and looking at watches."

John Pearson, Phillips' industrial relations director, explains: "During the rapid growth of the company in the UK, the high degree of pressure placed on employees to get the oil ashore focussed management attention on the job in hand.

"The personnel department felt that once the pressure eased the attention of employees would turn to what Phillips had to offer as a long-term employer.

"Valuable assets in terms of technological skills had built up during the early years and it was considered that to keep these teams intact, Phillips had to be seen as a good employer. It was necessary therefore for all aspects of Phillips personnel policies to be in line with what was recognised as good practice in the UK."

To improve the position it was necessary to establish a list of priority areas and tackle the problems that needed solving, he added. He believed that the *best people to advise on these* priorities were the employees—and a survey was commissioned.

The survey method was a two-part exercise which took about 15 months.

Firstly, a questionnaire was sent to all employees. It covered issues like working conditions, communications, management style, career opportunities and job satisfaction.

Following this 25 per cent the employees were asked to volunteer more information on the key issues.

The results, says Pearson, "were highly interesting. While some findings confirmed what had previously been well known, others opened up new considerations."

Basically, he says, the company was well regarded by its employees, who gained a high degree of job satisfaction from their work. However, the female staff, who were less directly involved with the exciting North Sea developments, were less impressed.

Employees were also critical of the lack of canteen facilities, an omission which has now been rectified.

Pearson notes: "It is interesting that the detailed interviews changed the emphasis placed on the canteen and timekeeping questions. In the case of canteen facilities (the term used in the questionnaire) the real problem was the lack of, say, a restroom or lounge, where employees could escape from their desks at midday. Neither was Flexitime seen as the main need but rather a change of attitude on the part of some American managers, who were little used to the vagaries of British Rail's Southern Region."

Other areas of concern included a lack of face-to-face communication and career potential within the company. "It was clear that the opportunities, brought about by the rapid growth in the company, were either not being appreciated by employees or had stimulated an expectation of progression that a more stable situation could not hope to maintain."

Employees also criticised the way the company's appraisal system was conducted; this too was improved.

For the future Phillips does not intend to be caught out again. Supervisors are being trained to "keep the dialogue going" through regular departmental meetings.

Arnold Kransdorff

THE ARTS

St. John's, Smith Square

West Square Ensemble

by DOMINIC GILL

Five out of the seven pieces (including two premieres) which made up the programme presented by the West Square Electronic Music Ensemble on Saturday night made use of the technique of tape-delay—that mechanical arrangement whereby a portion (or in the case of a multiple-delay system, portions) of the live performance can be recorded and played back after a desired interval during the performance, thus forming part of the whole polyphonic effect.

A great deal of mystique has surrounded the technique since its birth, which occurred soon after the birth itself, and as a natural by-product, of the tape-recorder. Like the equally unpleasant and notably unfruitful technique of ring-modulation, tape-delay has proved a largely arid and essentially not very musical aid to composition beloved chiefly (with one or two notable exceptions) of laboratory technicians. There's every hope that both techniques will be consigned in good time to the same oblivion.

Or there is every hope, rather, that the use of tape-delay will be confined at least to those composers who feel that the technique belongs integrally to their work in hand. All too often the effect is used as an end to itself, as an excuse for empty sound-spinning and most especially as a splendid hi-tech smokescreen for second-rate material. It also gives composers providing their own programme notes a notable opportunity to indulge unhelpful and pretentious jargon: what polyphonic music of any period and of any culture, for heaven's sake, does not "concentrate on change in one or a different combination of the following parameters: pitch, dynamics, linear density, vertical density?" This is hi-tech obfuscation run riot, the only conceivable excuse for which might be a finely ironical (though fairly devious) sense of humour.

That said, the author of the words above was also the composer of what was perhaps the evening's most effective piece of music. In his *Polymorph* for bass clarinet and tape-delay, the technique was used to real point and dramatic purpose — a vivacious sound-canvas, alive with a shimmer of voices, deftly and firmly shaped. It was no *chef d'oeuvre*: but like Jonty Harrison's new *Monodies* for the same combination, which generated some real and surprising rhythmic complexities during its rather overlong span, it was not merely a "piece for tape-delay" but one which genuinely appeared to use the technique for its own imaginative ends.

Both performances were powerfully aided by the energy and virtuosity of the Dutch bass-clarinettist Harry Sparnaay—as was Simon Emmerson's *Time Past I*, an agreeable ephemeral study for double-bass and electronics, by the vitality and charm of Barry Guy. Hubert Stuppner's *Ausdrucke* for Clown and double-bass lasted 13 minutes but ceased to be funny after five. William O. Smith's *Solo* for clarinet and analogue delay sounded like an unusually simple-minded lab experiment without hypothesis, proof or disproof. And a new realisation for bass and double-bass clarinets of Stockausen's *Solo for melody instrument and feedback*—significantly perhaps the composer's only essay in the genre, characteristically elaborated — I found musically disappointing, lacking in much of the tough sinew I associate with past realisations: although Harry Sparnaay's extraordinary rumblings on the double-bass instrument at the very lowest limits of perceptible pitch did have a certain subterranean presence that was undeniably gripping.

Elizabeth Hall

Bach

by RICHARD JOSEPH

At the conclusion of the Early Music Centre's annual festival the Taverner Choir and Players performed Bach's *St Matthew Passion* at the Elizabeth Hall on Saturday. Conductor Andrew Parrott's musicological approach was both informed and practical. Though his small orchestra boasted many of London's best players of baroque instruments, both soloists and choir included female sopranos and altos instead of boys. Parrott's speeds were easy going, naturally swift. A good deal of drama was found in the crowd choruses, even in the chorales, without undue over-emphasis.

In a few instances, for example, the concluding chorus of the first part and the alto aria "Sehet, Jesu Hat die Hand," the orchestra slightly outstripped the abilities of his wind players and Bach's phrasing suffered. Otherwise, the instrumental contribution was exceptionally good. The soloists all fitted well within this conception. Neil Jenkins sang the Evangelist with the forthright tone, good diction and variety of pace this lost narrative part requires.

The usually excellent David Thomas rang Jesus; he started poorly, with toneless and badly supported soft singing, but warmed up in the second half. Of all the singers of solo arias, only soprano Emma Kirkby offered phrasing and tone production to rival the best of the instrumental obbligati. As a result, one listened more to leader John Holloway's imaginative violin playing—both sensitive to detail and full of forward momentum, instead of alto Catherine Denley's singing of "Er barme dich, mein Gott."

This promising young singer dissipated the impact of her warm voice with plummy diction and "expressive" flattening. Both Rogers Covey-Crump and Peter Savidge sang decently in the tenor and bass arias, but without any marked insight or variety of expression.

The Taverner Choir was well-prepared. Though the crisp diction and open textures of a crack German-speaking boy's chorus are not within their range the consistency of attack and of tuning was ample compensation.

Whatever attempts one makes to brighten the pace, the instrumental and vocal textures, the *Matthew Passion* obstinantly refuses to inhabit the confines of a modern concert hall. Andrew Parrott conducted with intelligence and care, but this intractable problem meant that the performance lacked the exploratory zeal that characterised his recent reading of the B Minor Mass.

Covent Garden

Hamlet

by CLEMENT CRISP

The current quadruple bill at the Opera House received some illuminating cast changes on Saturday afternoon. With David Wall as Hamlet, Helpmann's frantic yet brilliantly controlled dance drama received an ideal interpretation; not since Helpmann's own appearances have we been told so clearly that what we see takes place in Hamlet's mind. The wild changes of mood, the brief moments which remind us of complex relationships, all seemed to originate in the distraught figure of Wall's Hamlet placed far forward on the stage with his last, fierce dreamings raging behind him. It was a performance of exceptional visual clarity: burning images, but no rodomontade, no eye-rollin—the piece came vividly alive.

So, in different fashion, did Tetley's *Dances of Albion*, with a new central quartet of Briony Brind and Julian Hosking, Jennifer Penney and Michael Batchelor. It was a triumph of classic style over the sinuous and wormy coils of the choreography. Mr Hosking as the leading man had neither Stephen Jefferies' speed, nor much distinction about the feet, but there was a generosity of plastique, his body opening out to the dance manner, which provided its own intensity.

Briony Brind was welcome if curious casting in Lesley Collier's role. Not for her the bright attack which is Miss Collier's; she is most beautiful in her arrow-slim body and extravagant long line, and she dances with a womanly seriousness that mercifully has nothing girlish about it. Like Dr Johnson's correspondent who tried to be a philosopher "but cheerfulness was always breaking in," Miss Brind convulses her body in Tetley's language, but somehow classicism always breaks in, and we see instead the shining clarity and true shapes of academism than inform her dancing. Here is a ballerina in embryo: please Heaven she will not be spoiled by early adulation, and will be urged onward, and most carefully coached, for the grandest demands of her calling.

As the second female lead, *Jennifer Penney was exquisite*. Here again, classic distinction brought much to the dance: underneath the cool candour of her movement there seemed currents of feeling which gave her amorphous role an emotional identity — whether Tetley's or her own I cannot judge—of elegiac resignation. As her companion, Michael Batchelor cut through the curlicues of Wayne Eagling's created role because his physique will not admit of the wild extensions and eel-like turns and swerves that give Eagling's dancing in this work its highly individual and admirable quality. He seemed thereby to match Briony Brind. Batchelor is the Royal Ballet's purest male stylist; he appears a weak partner, but his elegance of means, his purity of utterance, are an abiding joy.

And *Dances of Albion*, whatever its inconsistencies and repetitions, invites and receives thrilling dancing from its cast. Stephen Beagley and Ashley Page are tireless and excellent in *Sinfonia da requiem*; among the supporting group I though Philip Broomhead remarkable *in control and harmony of placing*. There is great promise here.

*

The week's end also brought another new work: a three act *A Midsummer Night's Dream* staged by Robert de Warren for Northern Ballet Theatre, seen at the Wells on Friday night. I thought it frightful. There is, as we know to our cost, a dread shortage of choreographers in the traditional classic manner in this country, and Mr de Warren's catalogue of pedestrian steps amounts to little more than class-room enchainements, a fact stressed by his decision to interpret the play in almost abstract fashion.

It is the nature of weak choreography to minimise the abilities of its interpreters (just as good choreography enhances them). Prokovsky's *Nutcracker* earlier showed off the NBT dancers to some advantage. A *Midsummer Night's Dream* reveals an immaturity and a lack of theatrical and technical force in the troupe, which has its darkest moment in the first act when Alexandra Worral, an attractive dancer, must trip through a solo to Mendelssohn's "Spring Song" while six girls and two men form conversational groups of mindless banality, the men in particular tending to diminutive posturing, as who should say "Rhubarb, rhubarb, rhubarb."

Mr de Warren has guided Northern Ballet Theatre from an uncertain future to box office success by providing reduced versions of the classics and novelties with instantly recognisable titles for the new public whom his policies have, I infer, encouraged to sample ballet. But there is a greater responsibility than merely filling seats: the dance fare must be worth-while. The bland activities of *A Midsummer Night's Dream*—with a yardage of orchestrated Mendelssohn piano pieces to plump out the existing incidental music, and clever design by Clive Lavagna—make the company look amateur—and the regional public deserves far better than that.

Leonard Burt

Sui Kan Chiang and Serge Lavoie in "A Midsummer Night's Dream" at Sadler's Wells Theatre

Assembly Hall, Tunbridge Wells

Figaro & Onegin

by MAX LOPPERT

To catch Kent Opera on home territory can be an exhilarating experience. Even when one corner of that home territory must be reckoned as thoroughly alien to the performance of opera as the Tunbridge Wells auditorium undoubtedly is, performances last Thursday and Friday of the new *Marriage of Figaro* (supported by National Westminster Bank) and the *Onegin* revival (not seen since the 77-78 season) gave genuine pleasure: one sensed opera doing for large audiences what it can and should but so often doesn't. The ensemble ideals, and the way touring has forced on the Kent productions a mastery of such inhospitable stages as the Assembly Hall, have often been remarked upon. Two successive encounters with the company suggest that the adventure continues.

Figaro, given, as is the Kent practice, in a specially commissioned new translation by Michael Irwin, is notable above all for the brilliantly imagined and achieved sets of David Fielding — a lucently shaded vision of neo-classical harmony turned back to front (as is the drama) in the last act, and realised with captivating wit upon a pocket-handkerchief stage space. The visual style, complemented by the costumes if not by slapdash wigs, implies a production of no less orderly harmonisation that is in fact contradicted at almost every turn by Nicholas Hytner's breakneck staging, full of bustle, crowd jokes, and briskly turned set-pieces. The laughter of the audience was enjoyable; and for some while it proved very refreshing to witness an alert young producer putting received ideas of recent date about the underlying pathos and pain of Figaro to such a test. By the last act one began to crave a wider range of dramatic expression encompassing stillness and recurrent distress as well as energetic farce.

The emotional substance of the opera was no doubt sacrificed to the illness of the scheduled Countess, Jennifer Smith; for her last-minute substitute, Phyllis Thorburn, offered in truth no more than a brave faint sketch of the great part. But when players of known quantity like Meryl Drower (Susanna), Alan Watt (Figaro), and Gordon Sandison (the Count) keep their characters tripping across a brightly buffed surface, the insignia of the producer must be deduced thereupon. Eirian James' Cherubino, a tangled skein of skinny limbs, angular adolescent passions, and warm, unforced voicing, regularly brought onto the stage a gust of fresh air, an intimation of the "something more" that properly belongs to this of all operatic comedies.

The Kent orchestra for Figaro is of chamber size and excellent quality: it was a particular pleasure, after a summer of "big house" Mozart, to hear the textures rendered lean and clear, well-ventilated by wind and horn. The music was delivered as though staleness in Figaro is a distant absurdity. Roger Norrington's text is elegantly graced, the decorations almost always aptly chosen and placed; the conductor has also examined the detail of Mozartian phrasing with unwavering commitment to stylistic good sense. In these matters Mr Norrington is usually to be relied upon; yet once again I seemed to detect in his propensity for hurtling, hasty speeds a hint of the doctrinaire, and, in more than one crucial passage, a want of that "sixth sense" that distinguishes the elect among opera conductors—that of breathing in sympathy with, never pressing hard against, the vocal capacities of his singers.

Such a want on the conductor's part could also be complained of next evening in *Onegin*, though from an enlarged band a like orchestral freshness had again to be admired. Freshness of response is the keynote of the Jonathan Miller production, staged by Amanda Knott; the scenic reduction to a few props (not, on this occasion, always very precisely lit) goes hard against the great Russian tradition of playing and selling Chaikovsky, yet finds in him the intimate, suggestive interplay, the deep feelings hinted at and only gradually admitted, that the grander performances with famous heavyweight singers so often miss. The revival introduces new principals. Teresa Cahill's first Tatyana was an odd compound of very beautiful and unfinished vocal statements; Stuart Harling's Onegin had less than its due share of tonal grace. Both players command the subdued intensity of address required by the production: subsequent stations on the Kent Opera tour should find them ever more fully addressed to roles to which they already offer a good deal.

'One Mo' Time!' extended

Apollo Leisure has announced the transfer of the American musical *One Mo' Time!* from the *Cambridge* to the Phoenix on November 24.

One Mo' Time! will end its run at the Cambridge on November 22 to make way for *Worzel Gummidge* which opens there on December 18.

Performance times at the Phoenix will remain the same as at the Cambridge: Monday to Thursday at 8.00 pm; Friday and Saturday at 6.00 pm and 9.00 pm.

Architecture

The gentlemanly charade

by COLIN AMERY

Like politicians, architects enjoy gathering together once a year to search their souls, and examine their consciences at their annual conference. This year they assembled for three days at their newly-cleaned headquarters in Portland Place in London. The conference symbol, and it wouldn't be a conference without a logo, took the form of the "Go" square from the *Monopoly* board with its red arrow indicating some hopeful new direction.

Monopoly is appropriate at this time for the profession which has decided that architects should be free to move into development in a way that transforms their professional status. Under the recent revisions of the Code of Conduct the President of the RIBA, Mr Owen Luder, says that architects have now defined a concept of professionalism more suited to modern needs.

What this means in a less woolly way is that the professional body that governs architects has decided they can become directors of building companies, estate agents, and can own and run limited liability design companies. In the interests of getting more work for the profession architects can now approach clients directly for work—what used in the old days to be called touting.

Mr Luder is one of those people who are constantly referring to the "modern world" and using this rather indistinct concept as an excuse for turning architects into businessmen. The RIBA is at present also looking at ways to introduce a recommended rather than a compulsory fee scale. This in effect means that architects will be able to tender for jobs—is it likely that the lowest tender will produce the best architecture?

The title of the conference was "New Opportunities" and the keynote address was given by that old futurologist Professor Reyner Banham. He gave a long paper to the delegates which was of great importance to architects and architecture in the new climate. Professor Banham's synoptic abilities enabled him to give a clear view of the state of professionalism.

In a profession that practices what is also undoubtedly an art his words bear reporting on this page. He pointed out that it is no longer reprehensible for an architect to carry on the business of trading in land or buildings, or of property developers, auctioneers or estate agents, or of contractors, sub-contractors, manufacturers or suppliers to the construction industry. As this is now the case then "the profession has been dissolved."

The lines that were once drawn between the profession and the construction industry have been rubbed out However, the professor pointed out that perhaps this is simple "operational realism." After all, the architect is involved in the world of real estate. The late Lord Llewellyn-Davies defined architecture as being the one thing "that changes land use."

The growth of the architectural profession has happened because there is another image of the architect — not as a man moving in the world of real estate — but as a gentleman and consultant. He is the man who mediates between his client and the sharks of the building industry. It was this kind of architect who was buried when the RIBA changed its rules. Professor Banham defined the two kinds of architect as "the architect-as-gentleman" and the "architect-as-hustler."

With his flair for the pursuit of eccentric pieces of knowledge, Professor Banham lays the responsibility for the creation of this confrontation between types at the feet of a French poet, Paul Valéry. In *Eupolinos, ou L'Architecte* Socrates is made to debate with one Phaedrus the human need to leave behind physical monuments more durable than themselves. The architect figure Eupolinos is the gentleman architect with a vision who assumes almost Divine powers. "*How wonderful were his instructions to the workmen. They retained no trace of his difficult meditations of the night before. He gave them nothing but commands and figures.*"

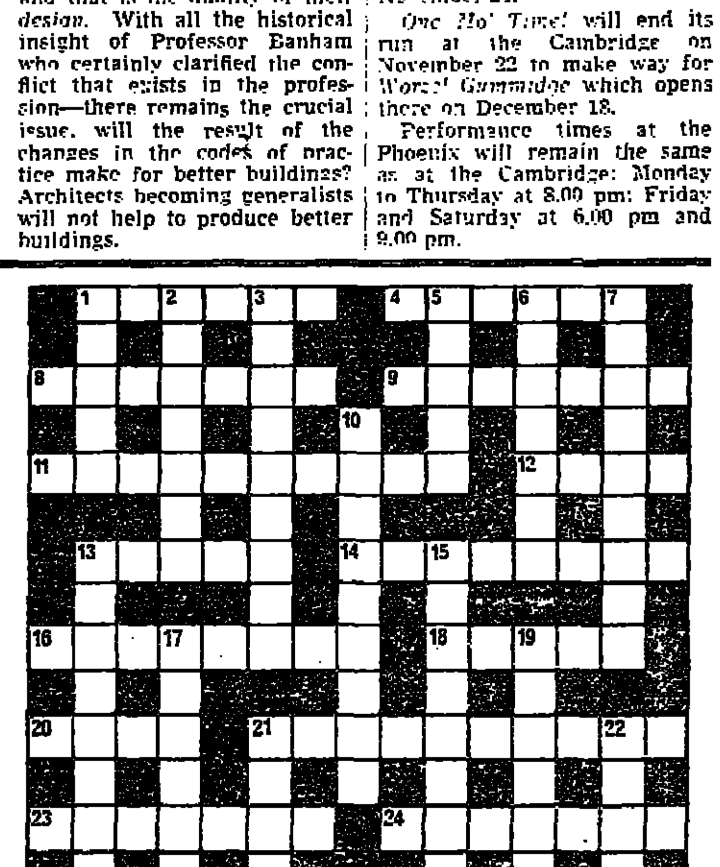
Socrates reply is crucial. "That is the very way of God." Here we have the Humanist Renaissance view of the architect, a man who is an inspired artist and scholar who doesn't get his hands dirty.

Valéry invents another character in the dialogue, a man called Tridon, the pragmatic realist who "viewed all things in the light of practice and process." He is very much not the artist: nearer to the kind of architect the RIBA are trying to invent — now for ever known by Banham's name "the architect-as-hustler."

In the recent past it has been possible to see within the architectural profession a fusion of these two types. The fusion of artist and hustler architects is best seen in the largest American practices where an architect like I. M. Pei or the giant firm of Skidmore Owings and Merrill form teams of experts, craftsmen and bureaucrats under a benevolent Architect boss. In England too this can be seen in the vast public offices where architects worked en masse to change the shape of our towns and cities so often for the worse.

The real problem for architects is one that was hardly touched on at the conference and that is the quality of their *design*. With all the historical insight of Professor Banham who certainly clarified the conflict that exists in the profession—there remains the crucial issue, will the result of the changes in the codes of practice make for better buildings? Architects becoming generalists will not help to produce better buildings.

F.T. CROSSWORD PUZZLE No. 4,713



ACROSS

1 Harmonises with right and wrong (4,2)

4 Wither female pet within (8)

8 Counter-revolutionary thrash (7)

9 Wanting to know if blackguard promises to pay (7)

11 The worst award (5,5)

12 Think a leek could envelop another vegetable (4)

13 Club door-opener (5)

14 Is pure about heat (8)

16 Small room that is to intimate connection (5,3)

18 Earlier politician (5)

20 Continue to clown (4)

21 Scene of beastly revolution in novel form (6,4)

23 Unfortunate one Conservative gets it forbidden (7)

24 Wonder vehicle needs to turn back within mile (7)

25 Party left soldiers in old tomb (6)

26 Way out African beheaded (6)

DOWN

1 In favour of having leave to give up (5)

2 Handled awkwardly when hitched (7)

3 Beginning to become nice in pit (9)

5 Successful stroke gets early start in car (5)

6 Hothead taken in by army discharge in trees (7)

7 Draw producer (9)

10 Throw doubt on record before revolutionary gets it (9)

13 Things go smoothly when drunk a lot (4,5)

15 Pop up before making rings attractive (9)

17 Shadowy time-keeper (7)

19 Strange final note to pump (7)

21 Quick article not recorded (5)

22 Confectionery whose master is no mean judge (5)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday

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A CAP reform opportunity

THE EUROPEAN Commission's proposals for changing the Common Agricultural Policy which were sent to member governments last week would make a great deal of sense if their introduction were left to a rational and enlightened bureaucracy. For better or worse, however, Europe is ruled by political leaders whose concerns include a keen sensitivity to the needs of their agricultural industries. This sensitivity is the reason why most of the ideas in the Commission's memorandum have been discussed and rejected by EEC governments in recent years.

Recoiled

The majority of governments have already recoiled from the idea of tackling surplus production by putting a tight squeeze on agricultural incomes. Why after all provoke the farmer into joining the ranks of the politically discontented which are always too large for any government's peace of mind? Mrs. Margaret Thatcher and Chancellor Schmidt say that this time the issue cannot be ducked because the Community cannot go on supporting a policy which swallows 60-70 per cent of EEC spending and whose appetite for funds has tended to grow until this year at least, at a faster rate than the Community's budget resources.

The danger of the Commission's approach is that it offers the politicians a further opportunity to evade the issue. The reasons are several. In the first place, the Commission leaves the guaranteed price system carrying too large a burden. In other words, the annual price rises still have to satisfy the income requirements of the smaller, often marginal farmer whose needs are always more substantial than the larger producer, the food processor and, indeed, the food exporter. When it set out its principles for CAP reform in June, the Commission gave the impression that a strict pricing policy would create casualties among small farmers who would have to be taken care of through a system of income aids. Its detailed memorandum largely retreats from this position.

The Commission's ideas for production targets could increase farmers' demands for still higher prices to compensate them for special levies designed to recoup the export subsidy cost of disposing of any surplus. The political pressures on politicians to raise farm prices will not be relieved by the Commission's proposals.

The Commission seems to assume that the political will can be mustered to resist these pressures. But it could have helped the politicians by demanding a commitment beforehand which would at least ensure that there are limits to the growth in CAP costs. Its document talks of keeping the growth of spending down below the annual increase in budget revenues (averaging about 12 per cent) without ever insisting on their restraint.

If the proposals offer no disciplinary framework for price increases—beyond the constraints of the budget—neither do they supply any detailed criteria for determining annual production targets. The Commission's assumption seems to be that surpluses will be frozen at present levels, which means they must be exported at whatever cost, and that production will only increase in line with EEC consumption. Cereals consumption, it is hoped, will be given an important boost through a tight pricing policy designed to eliminate the competitive advantages of low-priced imports of cereal substitutes.

Targets

Will not Agriculture Ministers, ever mindful of the farmer's problem, be sorely tempted to take an optimistic view about future consumption or even trade opportunities when setting production targets? The Commission will say that it is not in the business of manufacturing the political will which oils the wheels of decision-making. It will add that this Community advances by small steps: if the Ten apply the principle of production targets and limited price guarantees to the necessary products, then that will be progress enough.

But we question whether the Commission has really grasped the opportunity offered by the European Council in London this month. With Mrs Thatcher in the chair and Chancellor Schmidt counting every EEC (and almost by definition German) penny, the circumstances could not be more propitious for the taking of some tough decisions on the CAP. In spite of the difficulties of any negotiation at summit level, the Council must try to establish disciplinary principles which offer a greater assurance that the Commission's proposals, or something like them, would attain their objectives.

Public spending framework

WHILE MOST of the noise on public spending in the last few weeks has been made by the "more means better" school of thought, the really critical questions ought to be asked by those who support the principle of some strategic expenditure control. The first question is simply: why has the presentation of the issues by the Treasury and Cabinet machine been quite so bad? Information still depends far too much on leaks—many of them false—from Ministers who wish either to score points over the Prime Minister and the Treasury or to spend their way to prosperity. For decades, the Treasury has regarded it as more important to avoid premature disclosure than to win its battles.

Expenditure

Picking up the bits, as best one can, the picture is as follows. Public spending plans for 1982-83, envisaged under the last White Paper, are estimated to cost £110bn. The spending departments have put in bids for £117bn of which the Treasury is prepared to accept nearly £114bn. Originally, there was meant to be a real fall, after allowing for inflation of about 1½ per cent. This now looks extremely unlikely.

It is impossible to say anything sensible about the numbers without looking at revenue. Now that expenditure is at last being measured in actual rather than "funny" money, estimates of it are liable to change each time the Treasury changes its inflation forecast. The Armstrong Report on the Budget envisaged revenue being compared with expenditure at every stage and not just revealed once a year with numerous other rabbits when the Chancellor's much battered Budget Box is opened.

If the Treasury prevailed, the Public Sector Borrowing Requirement (PSBR) would probably come next year to £9bn compared with £10½bn, which is still the estimate for this year. Is this too much, too little or just right? One can take the robust view of Mr Enoch Powell that the PSBR is too high on any likely outcome. Alternatively, one can try to allow for recession. In that case some explanation must be given of the size of the permitted over-run and its relation to the monetary side of government financial strategy. The £10½bn and £9bn figures were calculated on the basis of activity rates different from those expected now.

The worsened prospects for output and employment probably justifies a 1982-83 PSBR of £10bn or £11bn—taking this as the centre of a very wide range of likely outcomes. The degree of allowance for recession is, however, one on which reasonable people can differ. A small increase in the planned PSBR will do more harm if it is blundered into or is clearly the result of a Cabinet defeat for the Chancellor than a larger increase if that is seen as part of a coherent strategy.

The words "coherent strategy" are not just jargon. They refer to there being convincing evidence that any permitted increase is of a temporary or cyclical nature and that there are credible plans for returning to normal as the economy recovers on a realistic and non-utopian interpretation of recovery.

Credibility will depend not merely on grand totals, but on expenditure details and all the tell-tale stories which accompany them. The greatest harm done by the Heath budget of 1973 and the Healey one of 1978 was not the immediately permitted expenditure but the even greater build-up in subsequent years which contributed so much to the inflationary over-strain.

Poverty trap

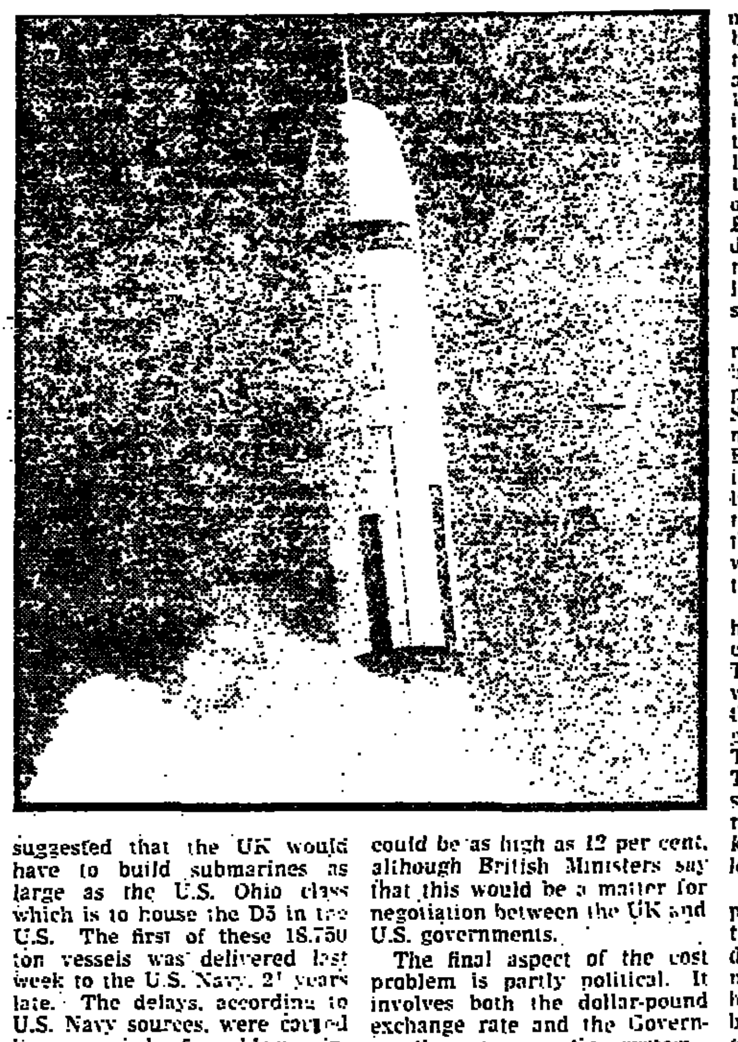
A modest increase in the planned PSBR can go either to meet the bids of the spending departments or it can be used in ways which may reduce industrial costs, such as a reduction in the national insurance surcharge, or improve work incentives—for instance by alleviating the poverty trap.

An attempt to relax both the expenditure and revenue sides simultaneously runs the risk of being either fiscally irresponsible or of leading to disappointingly meagre results all round.

UK DEFENCE DILEMMA

A time-bomb under Trident

By Bridget Bloom, Defence Correspondent



TRIDENT, the nuclear submarine system which Britain has chosen as its independent deterrent for the 21st century, is potentially in deep trouble. It is assailed by technical, financial and political problems which surround it with uncertainty and threaten to escalate its cost very substantially. Some believe its future may already be in doubt.

The Government announced in July 1980 that the Trident system would ultimately replace Britain's ageing Polaris submarines. In the past nine months, as the House of Commons Select Committee on Defence has delved into the issue, it has become evident that Trident is beset by more problems than the Government at first wanted to admit.

The new element, however, was injected just over a month ago. Ironically by the $180bn nuclear rearmament programme of the Reagan Administration. The President's decision to develop a new, bigger and more accurate Trident missile and to phase out the one Britain had contracted to buy from the U.S., has effectively spelt the end of the Trident project as it was presented to Parliament 15 months ago.

The question now preoccupying Mr John Nott, the Defence Secretary, and his officials is how far the Government's original plans have been thrown out of gear by the U.S. President's decision, and at what likely cost.

So far, the studies that are taking place within the Ministry of Defence are on the understanding that Trident, even with the larger missile, will still prove to be the right weapon for Britain. Mr Nott has been consistently strong in his public support for it. In the major Defence Review last June, the £5bn Trident (officially priced in July 1980 pounds) emerged unscathed from the cuts.

At the Conservative Party conference in Blackpool earlier this month — after President Reagan's announcement—Mr Nott repeated his belief that Trident is essential to Britain's defences and the most cost effective way of assuring them from the 1990s. He is said now to be looking again at the various options open to the Government in the expectation that this view will be confirmed.

But if Mr Nott intends to proceed with Trident in one form or another, the debate within the Ministry of Defence on how the Government should do this is taking place against an increasingly uncertain political background.

Ministers are concerned at the breakdown of Britain's long-standing political consensus on the need to maintain an independent deterrent. They are also aware that the Conservative Party is the only political party in Britain which supports the Trident decision.

The Labour Party is now leaning towards unilateral nuclear disarmament, while the Social-Democratic-Liberal Party Alliance also opposes Trident, if not an independent British nuclear deterrent. Conservative ministers are aware that their decision to opt for Trident could be reversed after the next election.

It is against this background, as well as against the climate of extreme financial stringency affecting all spending ministries at the present time, that the problems presented by the U.S. decision to opt for the larger Trident must be set.

President Reagan's decision to go for the new missile—known as the Trident 2 or D5—potentially affects four critical aspects of the Trident programme as originally conceived: the missile itself, the submarines that must be built to launch the missiles, the shipyard where the submarines are to be built and the Atomic Weapons Research Establishment at Aldermaston where the warheads for the missiles are to be developed and assembled.

In each of these areas, increased costs, or delays, or both, are probable if Britain were to opt for the new D5 missile.

The panel below outlines the major differences between the project as announced by the then Defence Minister, Mr Francis Pym, in July 1980, and what is likely to be the case if the Government opts for the larger D5 missile.

The first and major problem that emerges is cost. Officials have already conceded in evidence to the Defence Select Committee that D5 could add £1bn to the original £5bn estimate; they list £750m for the missiles, £50m extra for each of the planned four submarines and losses of some £50m on "long lead" orders.

However, these sums could escalate rapidly. First, there is no guarantee that the Government could get a fixed price contract on the unproven D5 within the next few months, and possibly for much longer. U.S. sources indicate that full costings will not be available until the new missile enters the detailed engineering phase, planned for late 1983.

Even more of a worry is the likely escalation in the cost of the submarines which would have to be built to launch the D5. The smaller missile would have gone into a 10-12,000-ton vessel, at most a third bigger than the existing Polaris submarines.

Now however it is being suggested that the UK would have to build submarines as large as the U.S. Ohio class which is to house the D5 in the U.S. The first of these 18,750 ton vessels was delivered last week to the U.S. Navy, 2½ years late. The delays, according to U.S. Navy sources, were caused by a myriad of problems, including sub-standard steel and faulty welding. It is estimated that the cost over ten years has more than doubled, to $2bn.

Both the uncertain costs of the missile and the problems of building such large submarines are prime reasons for delaying a decision on Trident. The cost of the missile will certainly be clearer in a year or two, as will the problems which will face British naval architects.

The research and development (R and D) aspects of the new D5 missile, could also cause delay. In the deal on C4, Britain agreed to pay a surcharge of 5 per cent on the cost of the missiles (which is to be offset against U.S. purchases of the Rapier air defence system). U.S sources suggest that R and D for an unproven D5 missile could be as high as 12 per cent, although British Ministers say that this would be a matter for negotiation between the UK and U.S. governments.

The final aspect of the cost problem is partly political. It involves both the dollar-pound exchange rate and the Government's own accounting system.

The original estimate of £4.5-5bn for a four-vessel force bearing C4 missiles was made in mid-1980 when the pound was worth almost $2.40. The total figure was later upgraded so as to include the D5, to £6bn, but still at mid-1980 prices. The difference in exchange rates today, with the pound at around $1.80, could add as much as £1bn to this figure.

As bad, however, is the fact that the Government's switch from accounting in purely volume terms to current cash terms involves updating the estimates for Trident for two extra years of inflation. This could add another £2bn to the cost as expressed in 1981-82 prices.

Ministers point out that what is important is not so much the overall figure (for all government estimates are being inflated by the accounting change) but the percentage which Trident accounts for in the total defence budget. They remain mightily alarmed about what they term the "presentational problems." For they will have to tell the world that the "true" cost of Trident today is not in fact £5-6bn but about £9bn. And that does not include contingency for the sort of overruns to which large projects of this sort often succumb, once they start.

All these are powerful reasons for delaying Trident. But at the heart of the whole problem is a political dilemma. Senior members of the Government believe not only that Britain should have an independent nuclear deterrent but that Trident, on balance, is the best way of ensuring that the country has an efficient weapon system to last well into the 21st century.

In these circumstances, they have three main choices. They could recommit themselves to Trident, with the new missile, within the next few weeks in the hope of locking the next government into the decision. That, in effect, is what Mrs Thatcher was trying to do when she went for Trident 1, when there were still so many unknowns to the project. It is a less tenable course now.

An alternative would be publicly to reconfirm belief in the efficacy of Trident, signal a decision to go ahead with the new D5, but effectively delay both buying the missile and building the submarines. This could save some political face but (unless the Conservatives do win next time) essentially leave Britain without a programme for Polaris modernisation.

Which leaves a third possibility, that the present Government seeks an alternative to Trident which a future centre-left (if not a Labour) government might endorse.

These are questions which are currently being debated and it is not clear how or how soon they will be resolved. Mr Nott favours the D5. His arguments against opting for the original C4 missile centre on what is called the problem of commonality with the United States. The C4 production line will stop in 1984 and the last missiles will be removed from U.S. submarines in the late 1990s. As the first of Britain's Trident submarines, in the C4 version, was not due to take to sea until 1992, the system might be obsolete before it was operational—and it was designed to last until at least 2020.

Mr Nott is particularly concerned that Britain should not be left supporting what would be *a unique system*. He has cited the problems that the Aldermaston Atomic Weapons Research Establishment has faced in modernising the A3 Polaris missile. This Chevaline programme, adopted secretly in the mid-1970s by the Wilson Government, was originally priced at £250m. The last estimate a year ago put the cost at £1bn and the system is still not operational.

There are dissenters to the commonality argument who say *that Britain should continue* with the C4 Trident. They point out that there will be plenty of "second hand" C4 missiles which Britain could buy well into the 1990s and that, as technology improves, modification could be less daunting. It is argued that the C4 is a proven missile and that costs are thus more likely to be better contained. There are also suggestions that, to keep costs down further, Britain would not need a fourth Trident submarine; *the punch packed* by the C4 (see panel) would compensate.

For the time being, few officials support an option earlier discarded by the Government — that of putting Cruise missiles (of the sort that the U.S. is to station in Europe, including Britain) to sea.

The subject is controversial. (Sir Philip Goodhart, a former junior defence minister, apparently confusing a U.S. Nato deterrent with the independent British deterrent, suggested last week that the Nato Cruise missiles destined for land basing in Europe should instead be put mainly on British submarines under British control.)

Officially, the Ministry of Defence believes that a decision to put Cruise missiles on attack or specially built submarines would prove an inefficient and ultimately more expensive deterrent for Britain. Aldermaston would, it is said, have difficulty in building the warheads, since there is no experience of Cruise missile technology in Britain. It is argued that many more Cruise missiles, with their single warheads, would be needed to present a credible deterrent and that, given their special guidance systems, they could not be launched, as Trident ballistic missiles would be, from the invulnerable depths of the Atlantic.

The argument on submarine-launched Cruise missiles is by no means dead (it is for example favoured by key members of the Social Democratic Party). Nor, clearly, are the arguments about the future of Trident over. It may well be that there is a time-bomb ticking under Trident. It remains to be seen whether the Government will defuse it.

A TALE OF TWO MISSILES

THE ORIGINAL Trident proposals of July 1980 envisaged:

● Purchase by the UK of between 60-100 C4 Trident missiles from the U.S. together with the guidance and fire control systems;

● the construction in Britain of four or five submarines of some 10-12,000 tons displacement;

● the manufacture at Aldermaston Atomic Weapons Research Establishment of the warheads for the missiles. The C4 is capable of carrying up to eight independently targetted warheads:

● that the overall cost of Trident 1 would be £4.5-£5bn, with an extra £600,000 for a fifth boat. Purchases of the missile, control systems and tactical weapons from the U.S. were said to amount to 30 per cent of the total cost:

● and that Britain would agree to a 5 per cent R and D (research and development) charge—in fact offset by the U.S. purchase of Rapier air defence systems.

The D5 missile, which President Reagan has now decided to deploy in 1989, is significantly different from—and more expensive than—the C4:

● It is still in an early stage of development: no detailed costings until 1983, no flight testing until 1987:

● its range is some 6,000 miles compared with 3-4,000 for C4. It is more accurate:

● it will have up to 14 warheads compared to eight in the C4 and three in the Polaris:

● substantially larger submarines will be needed to house the D5. Mr Nott has spoken of a submarine 1½ times longer than St Paul's Cathedral is high, which could mean a vessel as large as the U.S. Ohio class — 18,750 tons displacement;

● the D5 submarines would probably be fitted with a more expensive propulsion system.

Men & Matters

Policy slogan

"Posgate's wanted somewhere!" reads the slogan on a colourful card circulating in the vicinity of Lime Street as the insurance men gear up for this week's elections to the Committee of Lloyd's of London.

The card pictures maverick underwriter Ian "Goldfinger" Posgate extending a yellow digit towards what looks like a gravestone, but which proves to be the back of a vacant chair, around the Lloyd's committee room table.

Posgate is one of seven candidates for four places falling vacant on the committee.

A second glance at the slogan reveals the identity of Posgate's backers — the "PWS" formula is the trademark of brokers Pearson, Webb, Springbett.

Posgate, it will be remembered, backed a parliamentary petition to ensure that Lloyd's brokers will have to divest themselves of their underwriting interests. He fought that unpopular battle with PWS chairman Malcolm Pearson at his right hand. Now Pearson is doing his bit to jolly up Posgate's election campaign with a *few hundred missives*, mostly destined for those sympathetic to the "Pozzy" line.

Red meet

I don't expect you'll be reading very much about it anywhere else, so I might as well tell you all you need to know about the Albanian Communist Party Congress, which opens today. Not, of course, that any foreign journalists are being allowed into the Adriatic fastness—but I have my sources.

The key to Albanian politics is realising that party chief Enver Hoxha is a very hard man to please. Pretty well nobody pleases him nowadays, since he said "boo" to Peking in 1978, and advised Russia to take its custom elsewhere in 1961. Hoxha never quite got over Joe Stalin's death

The ideological problems of carrying the true cross for world Communism mean that only one delegation to the congress actually represents a party in power—the anti-Peking government of Vietnam. Otherwise, big-wigs are in short supply among the 21 Marxist-Leninist splinter groups gathered in Tirana.

Hoxha, 73, is variously said to be "ailing" and "well, but showing his age." His heir-apparent is prime minister Mehmet Shehu, a stripling of 68. Diplomatic sources point out that, should Hoxha retire soon, —he is Europe's longest-serving leader—his legacy will live on in his amendments to the Albanian constitution—*including an intriguing one* which makes it legally impossible for the country to surrender to a foreign invader. And that, in a nutshell, is Albania.

Call-money

"It's ten o'clock in Luxembourg, tea-time in Singapore, and who knows the price of a 12-month Euro-Yen?"

Perhaps more to the point, who knows "Exco," the uninspiring name of the money-broking company which has been asking these ludicrous questions in an image-building advertising campaign prior to its imminent stock market flotation?

It turns out that the origin of the "Exco" tag is at least more colourful than that of the similar-sounding Exxon, which the American oil company pulled out of a computer. "Exco," which is the name chosen for the new holding company for the London brokers Astley and Pearce, was pulled *by the company's auditors from* an old Arthur Andersen training manual — where companies are discussed in hypothetical terms, for instance the balance sheet of "Y Co," the profit-and-loss of "X Co," and so on."

Yes, but, why not stick with an *echt* name, like Astley and Pearce? It's all the rage now, with Associated Biscuits casting aside the veil to reveal Huntley and Palmer. "Well," says Exco managing director John Gunn, "we had just taken over another money-broking company, Godsell and Co., so we had to have something new. And we didn't think 'Gastley' *would be appropriate.*"

Tee-break

Sir Godfrey "Tag" Taylor has, I learn, pipped Sir John Grugeon for the chairmanship of the Southern Water Authority, which carries a part-time salary of £19,000 per year.

But Taylor is also beginning to feel that seven days just isn't long enough for his working week, which also includes sitting on Sutton Council, leading the Tory minority on the Association of Metropolitan Authorities, and advising a City brokers on local-government finance.

The upshot is that, at 56, he plans to retire from local government work in May, move down to Hove, and perhaps even find a little more time to play his beloved golf.

Slice of life

Those of my colleagues who gathered outside Westminster on Friday to hear the result of Sir Michael Edwardes's meeting with Michael Foot were a mite surprised when instead they saw emerging from St. Stephen's entrance a number of young women dressed in Siberian garments and carrying pieces of cake.

Could this be some symbolic gesture by BL's ever-inventive publicity men? The workers *can't have their cake and eat it?* If they won't take 3.8 per cent, *let them eat cake?*

No such thing. The cake-bearers were from a pressure group trying to secure the release of Peter Vaschenko, holed up with family and friends in the U.S. Embassy since he was refused permission to leave the Soviet Union. Friday was his borthday—hence

"To Bankrupt . . . er, I mean, Absent Friends"

the cake.

My colleagues were only too happy to show their solidarity by grabbing the proferred food. Only for the idyll to be interrupted by the emergence of Edwardes himself—who looked even gloomier than *usual at the sight of a squad of* reporters rushing towards him with hands full of cake. Was this, he must have wondered, Fleet Street's idea of a farewell celebration?

Neck-tie

A fellow-journalist from Scotland tells me about his efforts to inject some "human interest" into a profile which he was writing of an Aberdeen businessman. "I notice," ventured the pressman, "that this is the fifth Alsatian you have owned, and all of them have been called Dougal. Is there any special reason for that?" "Aye, lad," came the gruff reply, "the name was engraved on the collar."

Observer

FINANCIAL TIMES SURVEY

Monday November 2 1981

NIGERIA

PART ONE: PART TWO WILL APPEAR TOMORROW

The most populous and economically powerful nation in Black Africa, Nigeria remains a developing country struggling to come to terms with its oil wealth. Its multi-party democracy must now cope with the profound changes involved.

CONTENTS

BASIC STATISTICS

Area	924m sq km	Imports from UK (1980)	£1.2bn
Population (1981 est.)	85.2m	Oil revenue (1980)	N13.52bn
GDP (1980 est.)	N50.6bn	Foreign exchange reserves (September 30, 1981)	N4.495bn
Exports (1980 est.)	N14.08bn	Exchange rate:	1 Naira= £0.83
Imports (1980 est.)	N9.66bn		
Exports to UK (1980)	£151.6m		

This survey was largely written by five members of the Financial Times staff who visited Nigeria last month: Quentin Peel, Africa Editor; Paul Cheeseright, World Trade Editor; Mark Webster, Africa specialist on the foreign staff; Michael Holman, Central Africa Correspondent, and Carla Rapoport of the financial staff. Editorial production by Peter Thompson, Philip Hunt and Michael Strutt.

President Shehu Shagari

THE MAIN road that runs through Aba, in the eastern Nigerian state of Imo, is an object lesson in the country's economics. It is lined with a thousand tin shack shops, set back from the roadside behind a quagmire of ankle-deep mud and puddles from the last rain storm.

Wherever there is a patch of dry land, traders' wares are set out: stacks of colour television sets and sophisticated hi-fi equipment, rolls of gaily-coloured carpets, racks of dark glasses, dresses and silk scarves, buckets and ladders and household hardware, pharmaceuticals, clocks and electronic calculators. It is a sprawling monument to the ethic of free enterprise, a tribute to conspicuous consumption, and a sad illustration of Nigeria's wealth and *vulnerability: for practically* everything is imported.

Nigeria displays the same extraordinary mixture of vitality and chaos in its political life.

Two years after the successful return to multi-party civilian rule, the country can boast as vigorous a political debate as any other state in Africa.

A dozen newspapers hurl daily abuse at the Government, or the Opposition, the bureaucracy or businessmen: much of it is ill-informed, but it is certainly outspoken. The entire population seems to be politicised, and few will hesitate to spell out their firm *views on a range of subjects* from corruption in high office to the liberation struggle in southern Africa.

Yet the whole debate is curiously apolitical: it lacks any ideological content, and concentrates on personalities, not policies. "There is a strange combination of official reticence on important issues, and public licence on irrelevant ones," according to one concerned young ivil servant. "Government is too secretive about all the important issues, so that it often appears that nothing is being done, because it is not discussed publicly."

Indeed, the business of government seems to struggle on more by default than by *design. Attempts to pass new* legislation through the National Assembly, even on so basic a matter as the budget, are doomed to the interminable delays of political haggling. By the time fiscal changes become *law, they are no longer relevant* to the state of the economy.

Windfall

Nigeria is still coming to terms with two profound developments: the windfall wealth of its oil, and the transition back to civilian, democratic government after 13 years of military rule. Both experiences are proving traumatic, and the outcome is far from certain.

The job of President Shehu Shagari's Government has not been made any easier by the country's ever-increasing dependence on oil—both as the *source of virtually all export* income, and as by far the largest contributor to state finances. The slump in oil production in recent months, as a result of the glut in the international oil market, may yet force the Government to rethink its ambitious development plans.

In the two years since his National Party of Nigeria (NPN) emerged both as the largest and most broadly-based of the five which contested the 1979 election, President Shagari has adopted a deliberately low profile.

It is a style which apparently suits his own character, and which may prove to be most appropriate in the normal red-*blooded cut and thrust of* Nigerian party politics: he has created an image of being above the fray.

It has, however, laid him open to the criticism of engaging in "minimum government"—a charge naturally agravated by the Government's failure to press more than a handful of bills through the Assembly.

The style has also meant a marked contrast to the former military regime in the conduct of foreign policy. "The military created a dynamic image of Nigeria coming to terms with its destiny as an African and regional leader," one foreign affairs specialist said. "It made the public aware of foreign policy by successfully using the mass media.

"The commitment of the civilian Government is the same, but its style is quite different. There is a political *elite which is definitely less* radical than the military."

President Shagari has certainly been cautious in his criticism of U.S. policy towards southern Africa, in spite of the obvious anger of many Nigerians over President Reagan's refusal to take a strong anti-South African stand.

The President has to maintain a delicate balance between a host of conflicting interests, as outlined in the political section of this survey. Apart from the five political parties, he has to reconcile the interests of the federal government and the country's 19 constituent states, all keen to have access to the greatest possible proportion of the *N82bn development plan.* Behind these tensions lie the continual strains of ethnic and religious differences which still dictate the broad pattern of political affiliation.

The system relies heavily on patronage, which is part of the reason for the bitterness of the political struggle: the awarding of lucrative contracts and import licences to political supporters are the two prime examples. Nobody in government expects the system to be removed, whichever party is in power. But there is concern that it should neither distort the pattern of economic development, nor be allowed to *over-rule essential financial and* economic control.

In the next year, the greatest problem for President Shagari is to come to terms with a period of likely economic stringency, barring a dramatic *recovery in the oil market,* during a pre-election year.

Government planners are obviously relying on the inability of the central and state governments to spend their full budgets because of administrative inefficiency. But they are already concerned at the heavy spending by state governments in particular some of whom are already in dire financial difficulties.

Disarray

Meanwhile, in a peculiarly Nigerian move, the Supreme Court has thrown the Government's whole budgetary process into disarray by rejecting the key Act on which it is based, the Revenue Allocation Act. *This means that the division of* public revenue between the federal and state governments, a matter of bitter dispute, and one which the new constitution failed to resolve, will have to be renegotiated.

Any agreement, now urgently needed to make executive government possible, depends on the approval of a majority of the five political parties. It will be a profound test of the *strength of Nigerian democracy,* for no solution is likely unless the opposition parties believe they have a realistic chance of becoming the next government.

The party system has yet to prove itself. In effect, the Government is a shifting coalition—the NPN does not enjoy an overall majority—bent more on retaining power, than on pursuing a clear development strategy.

The danger of such a situation is twofold: on the one hand, it means that economic nettles *may not be grasped before the* next election: on the other, it may contribute to the growing sense of impatience among younger Nigerians, already cynical about the inefficiencies and corruption of the system, and its domination by ageing leaders.

The Government therefore faces a dual challenge: it must embark on a determined course to reduce the country's dangerous dependence on a single commodity, to ensure self-sustaining growth in the long term; and it must create a functioning democratic system which will attract new blood. Both courses will require clear-sighted leadership.

Quentin Peel

The Government has two more years in power, but eyes are already firmly set on 1983. Mark Webster reports

Election promises to be a hard-fought affair

IN NIGERIAN politics, all eyes are on the 1983 elections. Although the government is only halfway through its four-year mandate, there has been a buzz of activity among party loyalists to decide what the line-up will be by the time the elections come around again.

"The next elections are going to be much more expensive and possibly more violent than the last ones," a Nigerian academic has warned. "What you have got to remember is that in the last elections, the military was there to maintain order and ensure fair play. This time, the National Party of Nigeria will be both one of the players and the umpire."

All the parties agree that the next elections will be even more hard fought than in 1979, and none expects the outcome to be the same. Since the last elections, the Nigerian political scene has been in continual turmoil as the smaller parties have polarised around the two big power blocks the ruling National Party (NPN and the Western. Yoruba-based Unity Party of Nigeria (UPN).

Few analysts expect the parties to merge into two clearly defined camps, but everyone expects alliances to form before the vote either to co-operate after the elections or to urge their members to vote for a single presidential candidate. The most important question for the four parties which are not at present in government is whether they can put together an effective alliance against the National Party.

Chief Obafemi Awolowo, veteran leader of the Unity Party, said in an interview: "In 1983 I think it absolutely necessary to step up our efforts mobilising the masses. In addition, I think that if it's possible to have an association with two of the northerly based parties, it should be possible to sweep the board."

His hope is that the Unity Party can win the support of one or both of the smaller parties—the Great Nigeria People's Party (GNPP) and the People's Redemption Party (PRP). Immediately after the 1979 elections, both parties split into two factions, essentially on the issue of whether to co-operate with the National Party or become part of what was called the "progressive alliance."

Cut to eight

The alliance was made up of the Unity Party and disparate elements from both the GNPP and the PRP and found its most public expression in the periodic meetings of the nine "progressive" state governors (whose number has been reduced to eight since the impeachment of Governor Balarabe Musa of Kaduna state).

Although the constitution, drawn up along the lines of the U.S. system, does not provide for a government and an opposition, the five political parties and factions within them appear to be lining up as though it was still the old Westminster parliamentary system. At the same time, parties find it impossible to enforce discipline on their members, so voting patterns in the National Assembly cut right across the party lines.

As Mr Joe Wayas, President of the Senate, said at a recent symposium: "The inclination of individual legislators to be independent, in addition to the possibilities of shifts from party to party, makes it a highly volatile situation in the National Assembly."

The National Party also hopes to use Dr Alex Ekwueme, the Ibo vice-president, as a political force in the East. Until now, Dr Ekwueme has not been active in politics but he has begun to concentrate his efforts on Anambra state. There is competition between Dr Ekwueme and Governor Nwobodo for influence, even to the point where they were competing for who should pave a road in Anambra state—the federal or the state authorities.

Whatever the final outcome of the alliance negotiations, the principal forces at work are expected to be ethnic loyalties and hard cash. As Alhaji Waziri Ibrahim, leader of the GNPP at the last elections, found to his cost. "some of the young people in the party joined just to make money. If they didn't find the money they wanted, they went to another party where they could find the money or contracts."

But it is a common misconception that Nigerian politics can still be seen as a simple ethnic tug of war between north and south. Significant changes emerged during the 1979 elections and even greater changes are likely in 1983. For example, northern hegmony was broken with the emergence of three parties in the northern states, and the National Party had a broader national appeal than any of its rivals.

As 1983 approaches, it is likely that other factors will play a part. Some of the governors are emerging as forces in their own right, either within the party such as Mr Bola Ige of the UPN in Oyo state, Mr Lateef Jakande (UPN) in Lagos and Mr Solomon Lar (NPP) in Plateau, or outside the party such as Mr Abubakar Rimi (PRP) in Kano.

The vital issue of which faction of the split parties is eventually recognised will be left to the Federal Electoral Commission, once the Act defining its powers passes through the National Assembly. Only then will it be clear which side the smaller parties will support. But in the meantime, an essential element is what the Ibo-based Nigerian People's Party (NPP) will decide to do.

The NPP is led by Dr Nnamdi Azikiwe, the first president of the federation, and veteran leader of the Ibo people. His party could hold the balance of power after the next elections, and he is being wooed by both sides despite the breakdown of an accord with the National Party signed just after the last elections.

But the breakdown sent shock waves through his own party, where men like Governor Sam Mbakwe of Imo state were keen to maintain links with the National Party, while Governor Jim Nwobodo of Anambra state clearly preferred the possibility of an alliance with the "progressives."

The National Party has profited from the break-up by keeping two of the most prominent Nigeria People's Party members in the Cabinet, despite the efforts of the NPP to force them to step down; Professor Ishaya Audu, the Minister of External Affairs, and Mr Ademola Thomas, Minister of State at the Ministry of Finance, are both staying on in the National Party Government.

Support

The common wisdom in Nigeria is that none of the governors could survive without support from their political "godfathers"—Chief Awolowo, Alhaji Aminu Kano and Dr Azikiwe. But all three men are old and the prominence within the states given to the governors is generally considered the best possible stepping off point to become the next leader of the party.

Chief Awolowo is the only one who has said that he will not bow to pressure from some of the younger elements to step down although he is unpopular in many parts of the federation.

"I have no intention of doing that. I want to continue until I feel physically unable to do politics. I have told my friends and my young colleagues that I will be in politics all my life and I will seek to hold office as long as I feel able to contribute something useful."

At the moment, all the parties are convinced that they can improve their showing considerably in the next elections. As a distinguished commentator on Nigerian affairs wrote last year: "Nigerians have always considered military rule an aberration and they have returned to politics with an enthusiasm and exuberance uniquely Nigerian." There is no sign of them running out of energy yet.

Armed forces a cash priority

THE NIGERIAN armed forces are undergoing reorganising and re-equipping after nearly a decade of neglect under the former military administrations. Since the end of the civil war in 1970, the unwieldy 250,000-strong federal force has been slimed to an estimated 120,000 men. But in that time, the Nigerian Government now argues, little money was set aside for new equipment, and morale was generally low.

Military government appeared reluctant to overspend on the armed forces, making the reduction of their numbers and, in the closing stages of military rule, the construction of barracks priorities.

The civilian government has made it clear that the armed forces are a high-spending priority. It wants to ensure that after 13 years running the country, soldiers can go back to barracks for good, which means giving them good equipment and good housing.

As a result, the Fourth National Development Plan sets aside 7.3bn naira (about £6bn) for capital expenditure on the armed forces between 1981 and 1985. The Nigerian army is still by far the largest army in black Africa and the 1981 budget made it the third largest recipient of federal government funds after industries and education.

Most expensive

Provision for recurrent expenditure on the armed forces during the 1981 is N725m, the most expensive item in the recurrent budget. The capital provision of N584m is a 19 per cent increase on the previous year and reflects the current heavy buying programme for all three branches of the forces.

The bulk of the money under both sections will go to the army, whose numbers may yet be slimmed further to 100,000. The army has been re-organised into four divisions which have been renamed the 1st and 2nd mechanised divisions, the 3rd armoured division and the 82nd division — a composite unit named after one of the two divisions which fought in Burma during the Second World War.

The senior army officers make no secret of the fact that so far the re-organisation is in name alone and all the new divisions remain short of equipment. Buying new material is going on apace and this year alone the armed forces have signed contracts for £54m of light Mark III tanks from Vickers in Britain, and £20m for the "Blowpipe" anti-aircraft weapon from Short Brothers, in Belfast, Northern Ireland.

In a further deal, the Nigerians have agreed to buy 16 of the Franco-German Roland ground-to-air missile units at between FFr 30m and FFr 50m each. The Roland is manufactured by Euromissile, a consortium led by Aerospatiale, the French company and Messerschmidt-Bolkow of West Germany, and was chosen against stiff competition from Britain, France and Russia.

The armed forces have been given a new supremo, too, after the retirement in September of 42-year old General Alani Akinrinade and his replacement by Lt-Gen G. S. Jalo. The new commander will have to undertake the rest of the re-equipment programme which one senior officer estimated would take up to 10 years.

He will also have to overcome recruitment problems. The ethnic breakdown of the services has never been released publicly but all three branches follow a policy of recruiting quotas from each state of the federation. While Middle Belt states, the army's traditional recruiting ground, have supplied more than their quota, it has been difficult to get men to join from some of the northern states.

In an interview with Punch newspaper on his retirement, General Akinrinade said: "When we recruit men into the officer corps, we recruit state by state. The only snag about that is, let's say you are recruiting 10 men from a particular state, the last man might have scored 70 per cent while the fifth man from another state could have scored only 58 per cent." But he felt that the situation was improving and more men were coming forward from all the states.

The army is anxious to expand its domestic arms manufacturing capability beyond the present limited ammunition factory in the north. The Defence Industries Corporation of Nigeria is looking at the rapid development of arms manufacturing in South Korea and Brazil and has hopes of making the AK 47, the Russian-designed Kalashnikov rifle.

Plans are under way to start assembling an armoured personnel carrier in the Steyr factory which is being set up in Bauchi state to make commercial vehicles. There have also been negotiations with a number of European countries on expanding domestic arms production.

The navy of 8,000 has just taken delivery of a German-built frigate and has a wide range of ships from small landing craft upwards. The navy has ships and material from a number of countries in keeping with its policy of not becoming over-dependent on any nation.

But the biggest purchase still awaited is the selection of the air force's new strike aircraft. It has only about 20 MiG-21s left over from the civil war and all its old MiG-17s are out of service. So the battle is on between the big arms suppliers for the next generation of Nigerian aircraft.

The competition is between the French, with the Mirage 2000 combat plane, the British Jaguar ground attack aircraft, the U.S. F-14 and the Russian MiG 23. The final decision rests largely on what the Nigerians conclude is the role the next batch of fighters will play—whether they want combat aircraft which can fight in the sky or simply ground attack aircraft to support their land forces. Either will be extremely costly.

Mark Webster

NPN

National Party of Nigeria
Leader: President Shehu Shagari. 36 seats in Senate, 167 in House of Representatives. Holds seven states: Bauchi, Benue, Cross River, Kwara, Niger, Rivers and Sokoto. Controls House of Assembly in Kaduna.

UPN

Unity Party of Nigeria
Leader: Chief Obafemi Awolowo. 28 seats in Senate, 110 in House of Representatives. Holds five states: Bendel, Lagos, Ogun, Ondo, Oyo.

NPP

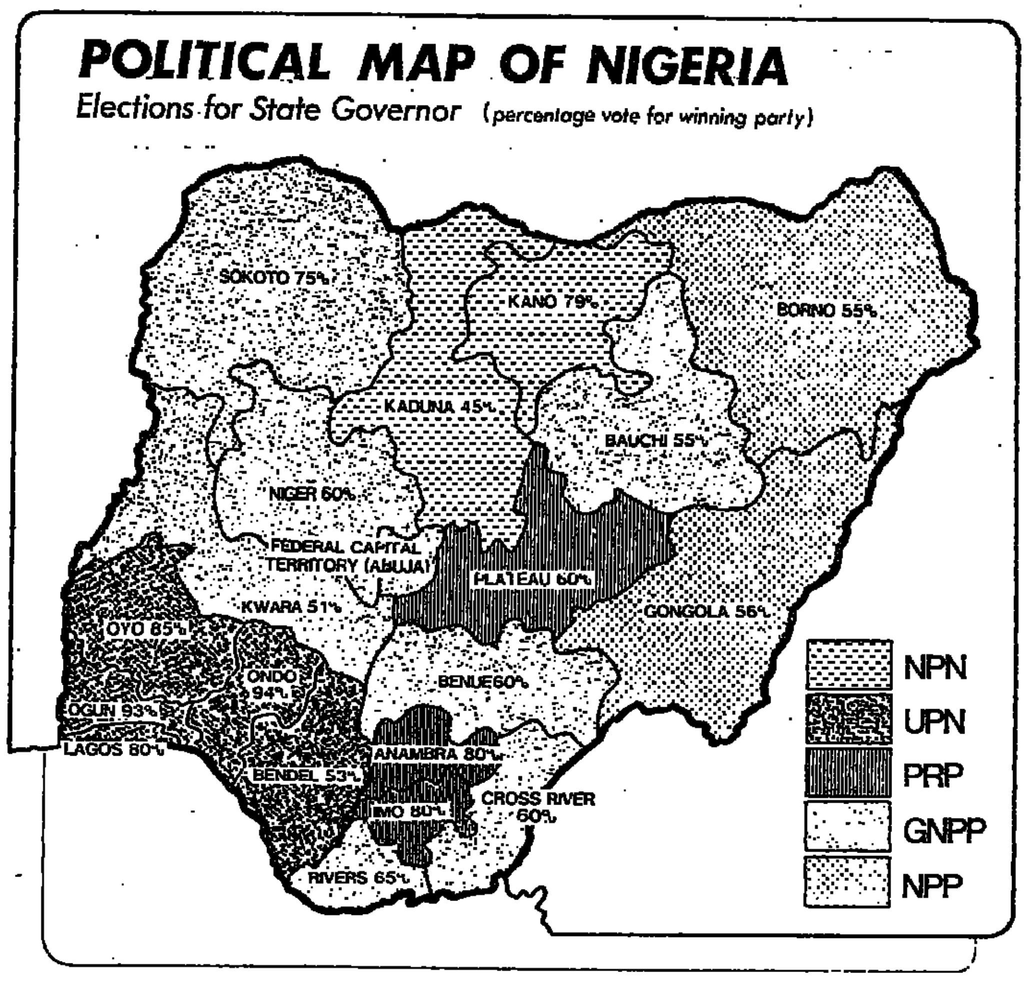
Nigerian People's Party
Leader: Dr Nnamdi Azikiwe. 16 seats in Senate, 77 in House of Representatives. Holds three states: Anambra, Imo, Plateau.

GNPP

Greater Nigeria People's Party
Leader: Alhaji Waziri Ibrahim. Eight seats in Senate, 44 seats in House of Representatives. Holds two states: Borno and Gongola. Breakaway faction: led by Senator Mahmud Waziri, includes six other Senators and some members of the House of Reps.

PRP

People's Redemption Party
Leader: Malam Ominu Kano. Seven seats in Senate, 44 in House of Representatives. Holds two states: Kano and Kaduna (although NPN controls Kaduna House of Assembly.) Breakaway faction: led by Governor Abubakar Rimi of Kano State and Governor Abba Rimi of Kaduna



New political system showing strain

DURING its first two years in operation, cracks have begun to show in Nigeria's new political system, but most people agree that the foundations remain secure. Political analysts explain that it is inevitable that the structure will have its flaws, given the diversity of the federation and the tight schedule which General Murtala Muhammed, the former head of state, gave for a return to civilian rule.

The most common criticism is the slow pace of the legislature in passing laws. So far only 17 laws have been passed and one of the key ones — the Revenue Allocation Act—has been nullified as unconstitutional by the Supreme Court. About 70 more Bills are on the stocks and some vital legislation such as the electoral Bill, which would allow a voters' list to be drawn up for the next general and local government elections to take place, is awaiting approval.

Alhaji Tanko Yakasai, presidential adviser on relations with the House of Representatives, explained that the problems were twofold. "The slow progress was largely due to the fact that we were operating a new system. But there is also a shortage of facilities." One secretary has to serve five different committees—and it is not uncommon to find a committee waiting in a corridor in the hope of finding a room empty.

In the early days of the civilian government, members of the National Assembly spent a considerable time finding themselves office space and arranging accommodation as well as debating their salaries. Even now, the National Assembly is without a library and the government has to provide drafting facilities for private members' Bills.

The executive has also come in for criticism. President Shehu Shagari is said to be not dynamic enough, and to practise what one journalist tagged "minimum government." But there are many defenders of the President's style of government within his administration and his National Party of Nigeria (NPN).

UN representative

His closest rival for the 1979 presidential nomination within the party, Alhaji Maitama Sule, is now Nigeria's permanent representative at the UN in New York. "After 13 years of military rule we needed someone of the calibre of Shehu—calm, cool, patient and, if necessary, compromising," he said.

Even so, the President's record on legislation has not been impressive. The 1981 budget which was introduced in October 1980 was only passed by the National Assembly in March. With the rejection of the Revenue Allocation Act the announcement of the 1982 budget had to be delayed. The Finance Bill for 1980 was only passed earlier this year and the Finance Bill for 1981 is still waiting for approval from the National Assembly.

Alhaji Yakasai believes it is necessary to improve the lobbying and committee systems to impress the importance of a piece of legislation on assemblymen. "We need to form a proper bridge between the executive and legislature. Now the president and his ministers are separated completely from the legislature and unless there is a necessity, a minister may have nothing to do with the legislature for months."

He thinks the answer is some form of liaison office manned by people who can talk freely about the executives' thinking on a piece of legislation, who can answer questions and who can relay the feeling of the assemblymen to the president. For the National Party, a lot of lobbying is being done by the President of the Senate and the Senate leader in the upper house, and the deputy Speaker and the leader of the House of Representatives.

The branch which has come out of two years' wrangling with a high reputation is the judiciary. It has been called on to settle many sensitive issues and has shown its independence of government with two rulings which have seriously embarrassed the National Party—the rejection of the Revenue Allocation Act and the ruling last year that the leader of the Great Nigeria Peoples Party (GNPP) in Borno state. Alhaji Shugaba, had been illegally deported from Nigeria.

The other big challenge to the constitution has been at state government level. This was the inability of Kaduna state to resolve the conflict between a governor representing one party—Alhaji Balarabe Musa of the People's Redemption Party (PRP)—and a state assembly dominated by another—the ruling NPN (dealt with in a Kaduna state profile elsewhere in this sudvey).

Violated

Many constitutional lawyers believe the spirit of the constitution was violated when the NPN successfully impeached the governor for alleged gross misconduct, although their differences were essentially political.

On the whole, however, the constitution has stood up well to the batterings of the past two years. But as Senator Joe Wayas, the President of Senate, said: "The new constitution could stand some amendments here and there to make it an even more remarkable document. I believe the sooner the President can appoint a non-partisan committee to carry out this most important and urgent national assignment, the better it would be for us as a nation."

There have been a shower of suggestions as to what needs to be changed in the constitution but several points have been highlighted regularly:

- The constitutional provisions for the creation of new states are too complicated and should be amended.
- The judiciary should have a closer role in sorting out ambiguities in the constitution, such as what constitutes "gross misconduct" in a case of impeachment.
- The executive should have limited powers to introduce tax changes pending approval by the legislature.
- Some means of enforcing party discipline within the National Assembly should be introduced.

Nevertheless, the system for making any amendments to the constitution is complex and deliberately difficult. It requires a two-thirds majority in both houses of the National Assembly, and approval by two-thirds of the 19 states. Any changes would have to be supported by political parties which lack any realistic hope of becoming the government, and therefore would be disinclined to approve any amendments which make the business of executive government easier.

It seems certain that any moves to amend the constitution will have to wait until after the 1983 elections. For the time being, Nigeria will continue to muddle by.

Mark Webster

Gowon's pardon causes speculation about Ojukwu

THE DECISION to invite former General Yakubu Gowon back to Nigeria has prompted a nationwide debate about the future of the former head of the Biafran secessionist movement, Mr Chukwuemeka Ojukwu, now living in the Ivory Coast.

President Shehu Shagari made the announcement about the former head of state Yakubu Gowon in his October 1 broadcast to the nation this year. He pointed out that no definite link had even been proved between General Gowon and those who assassinated General Murtala Muhammed in February 1976.

There had been speculation for some time about whether the Government would give a pardon to the former general who ruled Nigeria from 1966 to 1975. He had been an extremely popular leader and was given credit for steering the country through the bitter civil war from 1967-70 and instilling the mood of reconciliation which followed.

The former head of state has still not made it clear when he might come back to Nigeria and he is still pursuing his studies in Britain. But the move was popular in his home state of Plateau which is currently run by the Nigeria Peoples Party.

If General Gowon did decide to go into politics he could still prove a formidable force. He has not made any statement about his political future but he is a close friend of Professor Ishaya Audu, the Minister of External Affairs in the present Government and is on good terms with President Shagari who was once his commissioner of finance.

But the issue of a pardon for the former Biafran leader is a more complex matter. The Ibo-based Nigeria Peoples Party has made it clear they would like Mr Ojukwu to come back to the country, but there is clearly unease about what the political impact might be. Since the end of the civil war he has been living quietly in the Ivory Coast where he has built up a business for himself.

Alhaji Suleman Takuma, the national secretary of the National Party of Nigeria has said that the issue of a pardon is not ruled out for Mr Ojukwu, but said that the matter had become unduly politicised.

It is likely that the president will wait and see what decision General Gowon takes about his return and what the popular reaction is before any further moves are taken over Mr Ojukwu.

Mark Webster explains that the Government is holding back on the creation of new states until the economy improves

ONE OF the thorniest issues which the civilian government has yet to grasp is creating states. Movements for individual states have sprung up all over the federation, attracted by the possibility of increased Government spending and additional political power.

The existing 19 states vary *immensely in land area but they* are intended to contain roughly equal populations, while many contain peoples with close linguistic and ethnic links. According to the constitution, every state automatically has a governor, state assembly, five senators and a number of members of the House of Representatives as well as a guaranteed share of federal revenue.

Dr Chuba Okadigbo, the presidential adviser on political affairs, said recently that there might soon be an all-party conference on the creation of states. For without agreement between all the parties, it is unlikely the process could go any further. The constitutional requirements for new states are *so stiff that the easiest way for*ward would be an all-party agreement on amending the constitution. That is not likely until there is agreement on what states should be created.

In any share-out, it is unlikely that any one political party would benefit more. The Government could either opt for the creation of a small number of long-promised states; up to a dozen sensibly-sized states or a rethink of its strategy towards the issue.

The ruling National Party is committed to creating states in its party manifesto but does not appear to be in any hurry to press ahead. When it does, it is likely to look at the following contenders:

- The two longest promised entities would be the division of Kaduna into Katsina and Kaduna states and the division of Bendel into Anioma in the east, Delta in the south-west, and Edo in the rest.
- Imo is a strong contender for division into Abia state around the town of Aba, and an Owerri-based Imo state. Cross River could become Calabar state in the south and New Cross River state based on Ogoja.
- Plateau has been asking for a Middle Belt state in the south, with its capital at Lafia or Akwanga. The sprawling Gongola state could become Savannah state around Yola and Taraba state based on Numan. In addition there are new state movements in Bauchi, Kano, Sokoto, Kwara, Oyo and Ondo.

A deciding factor in the Government's short-term thinking may be that until the economy improves it will be impossible for states to be created because of the immense cost.

Kaduna—end of stalemate

Children hawking goods to motorists at Zaria, in Kaduna State

THE ROBED Speaker of the Kaduna state House of Assembly leaned forward in his chair to emphasise the point: "They said heaven would fall if we impeached Balarabe Musa. We impeached him. Heaven did not fall."

On June 23, Governor Bala*rabe Musa of Kaduna was* impeached for "gross misconduct" and removed from office by his own state House *of Assembly. The impeachment* ended nearly 21 months of political stalemate in the state where the impeached governor *represented the People's Re*demption Party (PRP) and the overwhelming majority of the assemblymen were from the *National Party. The confron*tation which resulted from the differing party affiliations has meant that the state is lagging *far behind in its development* plans.

Mr Mamman A. Dan-Musa, the Speaker and an NPN appointee, said the replacement of Governor Musa with deputy Governor Abba Musa Rimi had considerably improved the working environment.

But there are still contentious issues dividing the assembly and the new governor. The assembly wants Governor Rimi to remove all the people who the former governor appointed to state boards and parastattals, normally considered a good way of giving patronage. The state also remains without commissioners (ministers) because the assembly refused to approve the former governor's list and the present governor is only just ready to submit his own proposals.

Alhaji Dan-Musa was optimistic, nonetheless, that the list would be approved and the state would have its first commissioners for more than two years.

Much of the credit for the improved relations has been given to the new governor. One *independent observer described* him as "modest, quiet and practical with a reputation for being wily," and he has avoided *antagonising the assembly dur*ing his first months in office while pursuing much of the policy laid out by his *predecessor.*

The long and bitter wrangle in Kaduna which ended with the impeachment is likely to *have implications at both* the state and the federal level. As far as the state goes, the damage was largely economic *and political; while at national* level the impeachment has had far-reaching effects on the constitution and there have already *been calls* from other states for impeachment.

Damage

The economic damage to Kaduna state is difficult to assess. One local businessman *thought the state had probably* got on better with minimum interference from the government. But with the government accounting for such a large *pro*portion of total spending, the fact that both the 1980 and 1981 budgets were delayed for many *months, inevitably slowed the* pace of economic growth in the state.

The advantage is that with *falling* revenues *from oil at the* federal level, the heavy spending states are likely to be badly hit during the coming year. Kaduna, which is *heavily* underspent, will be able to ride out the problems better than most.

The political fall-out at *state* level is difficult to assess. One of the most serious effects will probably be the politicisation of the civil service during the last two years. Without commissioners, the civil service was obliged to run all departments and take responsibility for government policy under pressure from the governor and the house of assembly.

In national political terms, the aftermath of the impeachment is less gloomy, because one of the factors complicating matters in Kaduna under the former governor was that he had broken away from the PRP leader Alhaji Aminu Kano and had formed his own faction, along with his fellow PRP governor in Kano state, Mr Abubakar Rimi. The new Kaduna state governor has expressed his desire to see the party reunited in time for the 1983 elections.

The area where most doubt still exists *is over the constitu*tional implications of the impeachment. According to the Speaker, the House of Assembly *followed the procedure laid out* in the constitution to the letter. They brought a variety of charges against Governor Musa *accusing him of financial im*propriety in the way he dealt with the state's affairs. The Governor chose not to reply to *the allegations at the time of* the hearing.

Prof. Abiola Ojo, a constitutional expert, argued at a recent *symposium on the operations of* the first two years of the constitution that gross misconduct could only be proved where "the offences are so glaring as to cut across party prejudices." He concluded that because the impeachment in Kaduna had followed such obviously partisan lines, "the spirit of the constitution has been greatly violated."

However, there is a feeling of relief in Kaduna that the House of Assembly is not pressing ahead with efforts to impeach the new Governor as well. According to the constitution, this would have left the Speaker and therefore the National Party in charge of the state.

"There are some people who contended that if we impeached Balarabe it would be the end of the Second Republic. Now the same people wish to create confusion by saying we want to impeach the deputy governor. That is not so," Alhaji Dan-Musa said.

The real interest for all the parties involved is who will win the state in the 1983 elections. The National Party believes it lost the gubernatorial race because it chose an unpopular candidate. A look at the election results shows that there was also a reconciliation between the anti-National Party forces of the PRP and the Great Nigeria People's Party (GNPP). A top official of the National Party commented: "We'll make sure we don't make the same mistakes in 1983 as we did in 1979."

Mark Webster

Plateau—hit by fall in oil prices

WHEN President Shehu Shagari pardoned Yabuku Gowon last month Plateau State was delighted. The former Nigerian leader is, after all, from the state, and his home town is the capital, Jos.

But whether the gesture will have much impact on the political fortunes of the President's NPN party in the 1983 election is debatable. The State Governor, Mr Solomon Lar of the Plateau people believe in the NPP even if there are ten thousand pardons."

In the Presidential election it may not be quite so clear-cut as the Governor suggests. In 1979 President Shagari won 35 per cent of the votes, against Dr Nnamdi Azikiwe's 49 per cent, a margin which could be reduced by the high personal standing of the President.

But the NPP emerged comfortable leaders in Senate, House of *Representatives, and* Plateau State Assembly. The NPP took four of the five senate seats (NPN—1), 13 of the places allocated in the House of Representatives (NPN—3), and 35 of the 48-member State Assembly seats (NPN—10, GNPP—3).

Much will depend on the outcome of the complex manoeuvring between the five parties themselves and the factions within them. "One cannot rule out realignment of political parties," says Governor Lar, "with people of the same thinking getting together. We feel that before 1983 there should be an alliance of progressives to give the country a sense of direction.

"So far the NPN record is very disappointing. They haven't got a clear programme or ideology."

Yet the Governor's comments appear harsher in print than in delivery. It is difficult to find *a major issue which divides* NPP and NPN in the state: private investment is encouraged, agriculture, education and health *are the budget* priorities. The state is 80 per cent Christian and 20 per cent Muslim but has so far been untouched by the religious *ten*sions found in Kano and Kaduna. Although Hausa is used as the main language, the existence of some 56 ethnic groups in a state population of around 2½m forces competing political parties to appeal to a wide spread of voters.

One problem experienced by the state, in common with other members of the Federation, is the impact of falling oil revenue. "We have not been getting our normal Federal Government allocations," says the Governor. "For example, the minimum we used to get was N13m a month. In August and September it was between N6m and N7m." Inevitably the State's development plan will have to be cut but agriculture, health and education will remain priorities.

The outline plan, which runs concurrently with the Federal Government programme over the period 1981-85, envisages spending of N1.1bn, nearly double the N526m budget of the Third Plan. It is unlikely, though, that the full amount will in fact be spent. Manpower shortages and difficulties in implementing projects meant that only two thirds of the Third Plan funds were used, and the State has still to overcome these two constraints.

One hundred miles south of *Jos is the World Bank sup*ported Agricultural Development Project (ADP) which reaches some 50,000 farming families. Established in 1977 it is one of seven ADP's in Nigeria, working on the same principles. The Lafia scheme provides a basic service package —crop development, roads, and supporting services. Total planned expenditure is N53m of which $27m will be a Bank loan.

The main crops are yams, cassava, maize, sorghum, cowpeas and melons, and four grazing reserves have been set aside for the use of Fulani herds.

New roads

State spending is intended to complement the project and draw on its experience. An Accelerated Development Area programme, backed by the State government, is going ahead with the building of feeder roads and agricultural supply centres.

As in the rest of Nigeria, revenue allocation is a contentious issue. Governor Lar's proposal to the Senate last November advocated a formula of 50 per cent to the Federal Government, 40 per cent to State governments, and 10 per cent to local governments. Of the Federal Government proportion, 2.5 per cent would be set aside for the Federal Capital Territory, 2 per cent for compensation to states affected by *mineral exploration*, distributed according to derivation, 1.5 per cent for the development of mineral producing areas, and 1 per cent for ecological projects in mining affected states.

Plateau would qualify under the mining provisions because of the tin workings in the state which, the Governor told the Senate, "have brought untold hardship to the farming population of the mining areas."

His formula was not adopted, but the situation is now uncertain following the Supreme Court's rejection of the Revenue Allocation Act—in which the Federal Government got 55 per cent.

"The president will now have a beautiful opportunity," says the Governor, "to keep 70 per cent under the old formula until the Assembly enacts a new law. It is now up to the Assembly to initiate that, and not leave a vacuum."

Michael Holman

Students told to avoid UK

THE NIGERIAN Government *is actively discouraging students* from studying in Britain because of the high cost of tuition, according to a circular sent to all federal and state ministries.

The circular is in reaction to the rise in tuition fees for overseas students introduced by Mrs Thatcher's government. Many Nigerians who had their education in Britain some years ago fear that it will inevitably *erode the close ties between* the two countries.

"The search for the Golden Fleece in Nigeria is paramount. Nigerians *will go anywhere to* get good training. Those of us who were trained in Britain are now getting to decision making *positions and obviously we think* of Britain first," said Mr Ernest A. O. Shonekan, chairman of Nigeria's biggest company, UAC.

"If you don't let the *Nigerians in they will go else*where, especially to the communist countries, where they will be welcomed with open *arms," he added.*

The tuition fees issue has been one of the few notes souring Anglo-Nigerian relations since the successful conclusion of compensation for BPs nationalisation in February this year. President Shehu Shagari brought the subject up during *his* visit to Britain in April, but failed to change the British Government's attitude.

Almost an entire generation *of decision makers now in* government was educated in Britain and many Nigerians keep houses in London and look *on* London as their "second home."

There are now an estimated 6,000 Nigerian students in Britain out of a total being educated abroad of between 30,000 and 40,000. Although the number rose slightly in 1980, reflecting the freer avail*ability of foreign exchange* for overseas education, the number going to the U.S. almost doubled to around 21,000.

Even within the British Government there is considerable debate over the tuition fees issue. Lord Carrington, the Foreign Secretary, said *during* his visit to Lagos in February that he "deplored" the rise in fees but it was a necessary part of Britain's spending cuts.

"Nobody's asking for any favours," said a Nigerian journalist. "It just makes good commercial sense for Britain if you want to have influence in Nigeria."

Mark Webster

Aba—a town rebuilt from the rubble of civil war

AT 7 AM Aba is jumping. Drive down Pound St and you'll hear music blasting from stereo equipment of every make and design. In each wooden shop, the selection is daunting.

Not interested in music? How about a Creda washing machine, or a Panasonic air-conditioner, or maybe a car? The setting may be bizarre, with abandoned goods rusting in mouldy-green puddles and vultures standing to attention just beyond the meat market, but the selection would rival Oxford St. In fact, the city has its own motto: If you can't find it in Aba, go to Europe.

Aba is a phenomenon of modern Nigeria. Ten years ago the city was rubble. Nigeria's civil war ravaged the east and Aba, an important town in rebel Biafra, was badly hit by bombing and disease. Even five years later, when Imo state was carved out of the East Central region, Aba was still a sorry town of dirt roads and mud.

Aba's fortunes changed in 1979 when the state got its first civilian governor, Mr Sam Mbakwe. Dubbed "the crying governor" by his somewhat embarrassed voters, Mr Mbakwe's televised tears for the sorry plight of his state focused national attention on Aba's troubles. Soon proper roads appeared, schools sprang up, loans for reconstruction began to flow and Aba's business flourished.

G. B. Ollivant, a nationwide warehousing and distribution company, for example, supplies everything from tin goods to building materials. Mr Lawrence Ehime, manager of the company's eastern region, based in Aba, reckons that yearly sales have jumped from 600,000 naira (about £50,000) in 1978 to N5.4m this year.

"The only thing limiting my growth at the moment is the lack of warehousing space. We didn't expect this rate of expansion," says Mr Ehime.

Mr Ehime said that his division, which services the eastern states from its base in Aba, led the company in its sales, gross margins and net contribution to profits.

Lipton of Nigeria, which sells all sort of beverages as well as the obvious one—tea—has recorded a similar jump in turnover and should sell close to N6m this year. "If you had come to Aba three years ago," says Mr G. O. Dike, area sales manager, "you would have been knee deep in mud."

Mr Aloxie Nwankwo, chairman of Aba Textiles and head of the local chamber of commerce, says that 60 per cent of the goods coming into Port Harcourt make their way to Aba. After the war, Ibo traders who had fled Port Harcourt found their property and land gone and resettled in Aba

As a result, the poulation has surged to about 1m while Port Harcourt has remained a small town. In fact, Aba merchants say Port Harcourt has two populations, a daytime population of about 200,000 and a nighttime much smaller one when all the Ibo traders go back to Aba.

Aba's trading success is thanks to the Ibo businessmen. The slim margins taken by these traders have meant death to conventional merchandisers like department stores. "We wouldn't open a Kingsway in this town," says an official of United Africa Company, which has a chain of department stores.

Smuggled goods are another headache, although privately, Aba businessmen admit to enjoying a good offer. "Everybody is involved here," said one merchant. "The police stop the trucks to get their slice of goods or money."

In the past few years, Aba's hectic trading pace has gradually given way to a small but growing manufacturing sector. Three local biscuit manufacturers have started up, one with participation from Huntley and Palmer; a nail factory opened last year, while a new N23m brewery with West German participation is underway.

Boom town

Aba produces soft drinks, pharmaceuticals, cosmetics and cement with mainly local raw materials. Aba Textile Mills, the largest employer in the region, is expanding thanks to a N14m syndicated loan handled by Chase Merchant Bank. Aba Textile, fully government owned, has a management contract with Textile Alliance, a Hong Kong group.

As with any boom town, the problems created by growth are many. Aside from infrastructure difficulties, Aba has a growing security problem. Armed robberies are relatively infrequent but still a worrisome development. In September, considerable alarm spread over the death of an Italian employee of Emochi, which is carrying out a turnkey project at a site not far from Aba.

The police declared that the crime was only a robbery, but nothing was reported as stolen and all those arrested were workers at the site. A board member of the Nigerian company, International Glass, which contracted with the Italian group, ascribes the crime as tension between the Italian managers and the Nigerian workers.

Mr Hilary Ihueze, an official of NAL merchant bank in Owerri, the state capital, and a Board member of the glass company, says the Italian group had been paid up-front for their part of the project with a N95m, federally - backed syndicated loan. As a result of the death, work has slowed dramatically because many of the Italians have since left Nigeria.

Financing is another problem hanging over Aba and the state of Imo. Late last year, the state signed a $38m, eight-year federally backed loan for the construction by Spie Batignolles of an aluminium extrusion plant, a cardboard packaging plant and a resin and paint factory. The loan has a three-and-a-half year grace period and there's no doubt but that every day of that grace will be needed.

Businessmen estimate that the state, in its rush to develop its roads and businesses and develop Owerri, has overrun its budget this year by about N200m. In the meantime, projects are still being announced at a rapid rate.

Businessmen are beginning to wonder where the money will come from if not from overseas sources. The federal government has made it clear that it guarantees foreign loans only for those states in a position to repay. But it now appears that some states, Imo included, have secured external borrowings without the Government's stamp.

A commercial banker revealed his plight over a lunch of pounded yam and goatstew. "Defaults? No, I haven't any defaults. But 20 per cent of my loans are to this state's government. It's getting more difficult to get payments from them, but I can't call on the guarantee to cover the loan. Frankly, I have to keep on good terms with the government."

Even so, business is good in Aba and can only get better. The same banker says it used to take him two hours to get across Aba, a trip which now takes five minutes. "The development here is phenomenal. I've no doubt that Aba is going to make it.

Carla Rapoport

WOMEN FORM THE BACKBONE OF SMALL TRADERS

MOST OF the small traders in Nigeria are women. For a tiny capital outlay, a woman can set up shop with just a table and chair and preside over her wares while keeping an eye on her small children.

But what does a woman do when her children have grown and her husband brings home wife number two, who produces three children in rapid order?

For Grace Ihueze, a secretary by training and a trader by profession, the choice wasn't too difficult. Aided by her husband, Mrs Ihueze secured a low-interest loan for 18,000 Naira and built a bakery in the back garden of her house.

"I had my own stall in Balugo market and I loved the business. But import controls make life difficult and I never seemed to save more than I spent," she said.

Mr Ihueze, who works for a merchant in Owerri in Imo state, settled his large family in his native village a few miles outside the city. Behind their splendid house is the small, brick bakery which opened six months ago. Inside is a locally-made milling machine, a mixing vat and stacks of small tins for baking. Outside is the mud-brick oven which is fired by wood gathered from the bush.

Uzocchi Bakery (named after her son) buys its flour from Life Flour Mills for *N28* a sack and uses eight sacks a day. The business employs six people, including a baker trained in Onitsha. Its output of 3,600 loaves a day is snapped up swiftly by local people for 12 kobo a loaf.

With a healthy trading profit margin of nearly 30 per cent, Mrs Ihueze hopes to be able to pay herself a salary by next year.

Not surprisingly, activity has started on the other side of the house. Imi, wife number two, is starting her own business too: a poultry farm.

Revenue Act vetoed

President Shehu Shagari's administration is working hard to repair the damage done to its formula for dividing federally collected revenue *among the 19 states.* The Supreme Court decided last month that the Revenue Allocation Act which the President had signed in late February was unconstitutional and should be thrown out.

The decision came as a surprise to the Government and threw a last-minute spanner into its budgetary works for 1982. But to salvage the formula agreed in the Act, a committee of both houses of the National Assembly was expected to meet late last month and discuss the issue.

President Shagari does not wish the controversial subject *of how revenue should be* divided among the federal, state and local governments to be reopened. The issue cuts right across party lines and has long threatened to sour relations between the federal government and the other two tiers of the administrative system—the state and local governments.

Ironically, the Supreme Court decision, which was hailed as a victory by those states which brought the case against the Government, could leave the states worse off. The constitution makes it clear that until a new formula for revenue allocation is agreed, the old system should apply—and that would mean less cash for the states and local governments.

The Government hoped the matter had been laid to rest when President Shagari signed the Bill. Between 1946, when Nigeria was first *divided into regions, and 1977* there have been seven commissions to look at revenue allocation. President Shagari set up his own inquiry under Dr Pius Okigbo as soon as he came into office in 1979.

The commission reported on June 30, 1980, and most of its recommendations were accepted by the President. But when it came before the National Assembly, the House of Representatives wanted substantial changes in favour of the states, while the Senate recommended smaller alterations. Faced with the need to get an acceptable compromise, the President urged the joint finance committee of both houses to work on proposals.

The committee came up with a formula of 58.5 per cent to the federal government (including 2.5 per cent for the new capital and 1 per cent for aid to "ecologically degraded" areas) while the states were to receive 31.5 per cent and the local governments 10 per cent.

However, the Supreme Court ruled that after approval by the joint finance committee, the matter should have gone back to both houses *for their agreement*—so the proposed formula cannot operate.

The money was to be divided on the basis of 50 per cent equally among the states, 40 per cent on the basis of population and 10 per cent on the size of the state. For local governments, 50 per cent was to be for "minimum duties and responsibilities," 40 per cent according to population and 10 per cent according to the land area.

Until the Supreme Court's decision, the states had been receiving their allocations on the basis of the new formula. *It is considered unlikely that* the federal government would try to clawback any money already allocated to the states. Most of the state governments are already in acute financial difficulties because of their overspending. Ideally, the Government would be able to get fresh legislation passed on the basis of its formula and make it retrospective.

Mark Webster

CAPITAL EXPENDITURE OF THE FEDERAL GOVERNMENT

	1975-76		1976-77		1977-78		1978-79		1979-80 Final		1980 12 months	
	Nm	%	Nm	%	Nm	%	Nm	%	Nm	%	Nm	%
GENERAL SERVICES	1,153	26.3	1,159	19.9	1,126	19.0	779	17.8	1,110	22.0	1,302	14.1
Defence	455	9.4	455	8.5	563	9.5	496	11.3	644	6.7	667	6.3
Others	698	16.9	704	13.2	563	9.5	283	6.5	466	15.3	837	7.8
COMMUNITY SERVICES	221	5.4	505	9.5	567	9.5	437	10.0	471	5.2	1,383	13.0
Housing	167	4.0	263	4.9	202	2.3	121	2.8	84	0.9	603	5.7
Water resources	27	0.7	221	4.2	276	4.6	172	3.9	360	3.8	717	6.7
Others	27	0.7	21	0.4	89	1.5	144	3.3	27	0.5	63	0.6
SOCIAL SERVICES	791	19.2	621	11.6	349	5.9	246	5.6	629	6.6	1,073	10.1
Education	750	18.2	568	10.6	294	5.0	211	4.8	533	5.6	926	8.7
Health	41	1.0	53	1.0	55	0.9	35	0.8	96	1.0	147	1.4
ECONOMIC SERVICES	1,555	37.6	2,672	50.1	3,469	58.4	2,407	56.2	5,328	57.8	5,981	56.1
Agriculture	174	4.2	90	1.7	142	2.4	90	2.1	322	3.4	346	4.1
Power	113	2.7	160	3.0	207	3.5	509	11.6	540	5.6	533	5.0
Manufacturing, mining and quarrying	320	7.8	621	11.6	1,418	23.9	734	16.8	2,600	27.1	2,663	25.0
Transportation and communication	948	22.8	1,801	33.8	1,702	28.6	1,124	25.7	1,866	21.6	2,349	22.0
TRANSFERS	479	11.6	475	8.9	428	7.2	457	10.4	815	8.5	715	6.7
External financial obligation	172	4.2	58	1.1	4	0.1	143	3.3	175	1.8	224	2.1
Loans on-lent to states	307	7.4	417	7.8	424	7.1	314	7.1	640	6.7	491	4.6
TOTAL	4,131	100.0	5,332	100.0	5,939	100.0	4,376	100.0	8,353	100.0	10,654	100.0
Less amount reserved									−1,271	−23.7	−1,552	−14.6
TOTAL	4,131	100.0	5,332	100.0	5,939	100.0	4,376	100.0	7,082	76.3	9,102	85.4

? Negligible amount.

Source: Federal Ministry of Finance.

Classic symptoms of the oil economy syndrome

THE OVERWHELMING dependence of the Nigerian economy on a single commodity, oil has been brutally underlined by the dramatic slump in oil production over the past year.

From a peak of more than 2m barrels a day in January, production from the rich fields of the Niger delta and offshore in the Bight of Benin tumbled to barely 700,000 b/d in August. In many areas, it was the lowest production rate since before the oil boom of the early 1970s.

The slump was a response to the international oil glut, and the refusal by oil companies to buy high-priced Nigerian crude. It put a severe strain on Nigeria's commitment to the Opec oil cartel. But most important it has had a drastic effect on two critical areas of the economy: government revenue, and exports.

On the one hand oil has been the motor of a huge programme of public sector investment in Nigeria over the past decade, enabling the country to recover rapidly from the civil war of the late 1960s and to become a major economic power of the Third World. But at the same time it has resulted in an unbalanced development of the economy in which other key productivity sectors — manufacturing industry and agriculture—have virtually stagnated.

Impressive growth

By 1980 oil accounted for 96 per cent of all export earnings, and some 80 per cent of total government revenues.

The latest crisis has therefore caused a substantial trade deficit in recent months: with imports running at a monthly average of N1.2bn a month, oil receipts were running at some N850,000 in May and June, and down to as little as N450,000 in July and August.

However, the drop in foreign exchange reserves was not as severe as might have been expected: they fell from a peak of N6.36bn in May to just under N4.5bn in September, undoubtedly cushioned by capital inflows and the appreciation of the dollar.

Nevertheless, the Government is faced with the need to curb imports or face a steady run-down of reserves—and at the same time to restrain its own spending because of the drop in revenues.

The 1982 budget is based on an oil production figure of 1.3m b/d: at a price of $36 a barrel, this would earn N760,000 a month, leaving a substantial trade gap to be financed by capital inflows. If production can be pushed up to 1.5m b/d, export revenues from oil would rise to just over N900,000 a month, and imports might feasibly be cut to under N1bn, alleviating the immediate balance of payments pressure.

The reminder of oil's volatility has refocused the attention of government planners on the need to reduce their dependence on the oil sector.

The Nigerian economy illustrates many of the classic symptoms of the so-called oil economy syndrome.

	Oil production ('000 b/d)	Foreign reserves* (Naira m)
1981		
January	2,091	5,349.8
February	1,944	5,400.6
March	1,868	5,825.6
April	1,625	5,518.0
May	1,292	6,360.2
June	1,350	5,755.8
July	773	5,518.4
August	708	4,806.1
September	1,060	4,495.8

* Including commercial banks

Sources: Central Bank of Nigeria and oil companies.

Throughout the past decade it has recorded impressive growth rates of around 7 per cent a year. Oil exports have soared from earning N517m in 1970 to some N12.2bn in 1980, enabling the government to embark on progressively more ambitious public sector investment plans, rising from N1.56bn in the years from 1970-74, to N30bn in 1975-80, and N70bn in the latest development plan period from 1981-85. Federal government investment, as a proportion of Gross Domestic Product, rose from 3 per cent in 1973/74 to 20 per cent in 1977/78.

Oil exports have allowed Nigeria to import heavily both the necessary inputs for its investment, especially in infrastructure, and the consumer goods and foodstuffs demanded by rising real incomes. Merchandise imports rose from N718m in 1970 to N8.7bn in 1980.

However, the huge government spending programmes, combined with rising foreign reserves, have resulted in high rates of domestic inflation. At the same time, the strong balance of payments has meant a gradually appreciating naira. Because of this Nigeria's domestic production costs have increased much faster than those of external competitors.

Even within the country, the productive sectors have become less attractive. Thanks to heavy public sector spending, particularly on infrastructure, the construction and services sectors have offered much higher rates of return than farming and manufacturing. Agriculture in particular has been badly hit by the loss of its labour force to the modern sector of the economy.

The extraordinary expansion of the economy, and of the public sector in particular, has also put a well-nigh intolerable strain on the country's administrative capacity. Control of spending programmes has been inefficient, co-ordination has been weak, and many of the plans have been interminably delayed because of sheer executive incapacity.

"It is a highly regulated economy without the bureaucracy necessary to administer it," according to one industrialist.

Nevertheless, deficit budgeting by the central government, in spite of its oil revenues, has tended to drain available finance from the private sector, reinforcing the dominant position of the state sector.

Perhaps as serious as any of the purely economic problems has been the creation of the belief that Nigeria is a wealthy nation—a sort of money psychosis — encouraging local would-be entrepreneurs to look for quick-yielding investments such as property speculation or importing, rather than the longer-term rewards of manufacturing.

"Nigeria is an oil-producing country, but on close examination it should not be classified as such," Professor G. O. Nwankwo, executive director of the Central Bank of Nigeria, says. "We produce a small proportion of oil, and have a very large population. If ever there is an ill wind in the oil market, we will be affected. But the military Government made the mistake of telling people the money was there. Only now are they starting to realise it is not going to be as easy as before."

The need to reduce the country's over-dependence on oil is recognised by the Government's planners and advisers. But its stranglehold is extraordinarily hard to break. According to a recent authoritative economic analysis "the long-term significance of the

CONTINUED ON NEXT PAGE

GROSS DOMESTIC PRODUCT BY INDUSTRIAL ORIGIN (per cent)

	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79
Agriculture	27.7	27.1	25.6	23.8	23.1	22.4
Mining (including oil)	31.9	32.2	25.6	26.7	24.5	25.0
Manufacturing	3.9	3.5	4.2	4.6	4.8	5.1
Utilities	0.2	0.2	0.2	0.3	0.3	0.3
Construction	6.3	6.5	8.3	9.0	9.2	9.7
Transport	3.1	2.5	2.9	3.1	3.1	3.3
Communications	0.2	0.2	0.2	0.2	0.2	0.2
Wholesale and retail trade	15.3	15.1	18.2	19.3	20.9	20.3
Housing	3.2	3.5	4.0	3.8	3.3	3.2
Governmt. services	5.1	5.9	6.9	5.8	6.8	6.7
Other services	1.3	1.8	2.6	2.3	2.7	2.6

Source: World Bank estimates.

INADEQUATE STATISTICAL DATA

THE FOLLOWING disclaimer appears in the latest annual report of the Central Bank of Nigeria (CBN), published in October 1981.

"Once again, we have to place on record that it has become increasingly difficult for the CBN to analyse the performance of the economy in general, and appraise the effectiveness of policy in particular, due to inadequate data. At the time of writing this report (April 1981), for example, no actual data on Federal Government revenue and expenditure was available for the whole of 1980, the situation, as usual, was worse for the state governments. External trade data in respect of 1980 similarly were unavailable. No firm data on domestic agricultural and manufacturing production are available on current basis. The available estimates are based on very scanty information and not much reliability can be placed on them. The data situation has in fact continued to deteriorate, rather than improve. The Federal and State governments are once again called upon to recognise the lack of adequate and up-to-date statistics as a serious national problem calling for immediate attention and solution."

Unions struggle to find a course

THE TRADE union movement is under attack from several quarters in Nigeria following the award of a N125 a month minimum wage in June this year. A group within the National Assembly wishes to challenge the right of the Nigerian Labour Congress to be the sole central labour organisation within the country.

It was the military government which slimmed the existing 1,000-odd unions into 70 and brought the four labour organisations under one roof in 1978. But Nigeria found itself criticised at the last session of the International Labour Organisation in Geneva for breach of its regulations because workers should be allowed to form as many central labour organisations as they wish.

New Bill

Prompted by the rapid rise in the minimum wage, Senators Mahmud Waziri and Ibrahim Dimis sponsored a new labour bill which would end the NLC's monopoly, end the compulsory check-off system by which unions get their funds and, in a later motion, Senator Waziri proposed that it should be illegal for the NLC to call a strike until it had held a secret ballot among all the workers.

The NLC was accused of precipitate action when it called the general strike in May this year in support of its claim for a N300 minimum wage, the restoration of car loans and basic allowances and an increase in the pension. Although the strike was only patchily followed, it had its biggest impact in the capital, Lagos, and the Government agreed to two of the NLC's demands while compromising on the minimum wage.

The new minimum wage was particularly badly received in the private sector, following so hard on the heels of the N100 minimum granted the previous year. As Mr Adebisi Ogedengbe, the Federal Minister of Employment, Labour and Productivity, pointed out in a recent address:

"The N125 minimum wage is exclusive of the N25 monthly allowance for transport and housing already being paid in the public sector and by some progressive employers in the private sector. It also represents about 114 per cent increase over the minimum wage levels at the end of the military regime."

The Nigerian Association of Chambers of Commerce, Industry, Mines and Agriculture reacted strongly to the civilian government's minimum wage proposals in their pre-budget memorandum for 1982 when it said: "It is a matter of great concern to the private sector that in recent years government incomes policies have been inconsistent, especially as regards wages. The role of government as state authority is often confused with its role as employer.

"In spite of the Government's often declared commitment to the principle of collective bargaining, experience has shown that government actions tend to ignore the principles in practice. For example, in 1980, government arbitrarily and without consultation with the private sector raised the minimum wage of workers from N72 to N100 per month ... the dust had hardly settled on the increase when the same federal government yielded to the pressure of the NLC to legislate on a minimum wage of N125 per month."

The new minimum wage is expected to add around N500m a year to the private sector wage bill according to the Minister of Employment and it immediately sent prices in the market place rocketing. The rapid growth in the money supply at the end of last year is thought to be one of the first signs of the new wages working their way into the economy and the Chambers of Commerce believe the inflation rate will soon erode the benefits of the new minimum wage.

Mr Ogedengbe said recently that the "labour laws are being reviewed to reconcile their operation and authority with the provision of the constitution concerning the advisory and executive role of my ministry in the formulation of policy on labour matters."

But there is pressure on the ministry to review all the laws governing labour, especially those regulating the present long-winded official procedure for resolving disputes. One of the contributory factors to the general strike was the fact that the car loan issue had waited 20 months with an industrial arbitration panel before finally being transferred to the National Industrial Court.

Disruptive

With such a lengthy procedure, the country is plagued with unofficial wild-cat strikes which may only last a short time but can be very disruptive. In 1980, 2.35m man-days were lost compared with 2m the previous year and only 870,000 in 1978, according to figures in the Central Bank annual report.

However, although the current wave of unrest and high wage demands in industry is being blamed on the Government, it was a predictable part of the legacy left by the military government. The success of the military in maintaining a wage freeze is seen in the Central Bank figures which showed the rise in the overall industrial wage bill for 1979 as 1.5 per cent while in 1980—the first full year of the civilians—it soared 31.5 per cent.

An oil worker finds plenty to smile about. His industry is one of those most protected from the problems of the economy.

Many employers had foreseen an explosion in union activism once the new government took over because of the lack of movement under the military. But they have been taken by surprise over what they consider the new government's weakness in allowing two such large rises in successive years.

"Last year it was the NLC's credibility at stake when it submitted the N300 minimum wage demand. Now it's the Government's credibility which is looking a bit wobbly because it doesn't seem able to do anything but say yes," said one manufacturer who has been badly hit by the latest wage rises.

The reaction of industry generally is that if wages go up then employment will come down. Many of the less successful companies have been laying off workers during the past 12 months and many more redundancies are expected, especially if the economy goes into a recession next year.

In the meantime, the trade union movement is bewailing the fact that so soon after its reorganisation under the military it is facing another major upheaval. The labour movement is still in its infancy in Nigeria and less than 10 per cent of the population is thought to be in salaried work. As one trade unionist wrote in a local paper: "With so much up and down, we are getting nowhere."

Mark Webster

INDUSTRIAL RELATIONS

Description	Period 1978	1979	1980	Percentage change 1978-79	1979-80
Trade disputes	142	155	355	+ 9.2	+129.0
Work stoppages	78	755	265	+867.9	− 64.9
Work'rs involv'd	105,525	204,742	221,088	+ 94.0	+ 8.0
Man-days lost	875,137	2,038,855	2,350,998	+132.9	+ 15.3

Source: Federal Ministry of Employment, Labour and Productivity, Lagos.

The problems of an oil-based economy

stagnation or slow growth of the agricultural and manufacturing sectors is that the expenditure-led growth can only be sustained by continually rising real oil export earnings, which leads to increasing dependence on the oil sector, rapidly rising imports, and the disappearance of traditional exports."

The concern of national planners and independent economists is that Nigeria is now less rather than more able to achieve self-sustaining growth once its oil revenues run out.

Oil reserves are currently estimated at some 20 years, although exploration is still finding new reserves at a faster rate than it is being produced, but Nigeria's domestic oil consumption is rising rapidly and will make increasing inroads into the volume of crude available for export. According to the Fourth National Development Plan, domestic consumption is expected to rise from 250,000 b/d in 1980 to 440,000 b/d in 1985.

Recent estimates suggest that Nigeria has perhaps only 10 years in which to make the sort of major structural adjustments necessary to prevent soaring balance of payments deficits in the 1990s. Such estimates assume a recovery of oil production to the level of around 2m b/d, which this year's slump has shown to be possibly an optimistic target.

Indeed, the Government is already starting to record rising budget deficits, even without the latest production drop. The 1981 budget, for example, planned an N3.8bn deficit before borrowing, and although underspending seems certain to reduce it that may well be counterbalanced by the fall in government revenues.

Unless the Government is prepared to scale back its ambitious spending plans, which will be extremely difficult politically in the lead-up to the 1983 elections, its deficit seems certain to rise. Moreover, commitments to the major spending projects, such as the steel programme at Aladja and Ajaokuta, the construction of a standard gauge railway, the building of the new federal capital at Abuja, will commit the Government to continued heavy spending for years to come.

In a different category is the Bonny liquefied natural gas (LNG) plant, costing N9bn, which could prove to be a major alternative foreign-exchange earner to oil.

However, government failed to commit itself to the project when oil revenue was high, and the irony is that at a time when oil receipts have fallen, and government resources are strained, the need for such a project is clearer than ever.

Panic measures

In the short to medium-term, therefore, the latest oil crisis means government must either re-order its spending priorities or find alternative sources of finance. At the same time the most urgent requirement is to cut back on imports, running at an average of some N1.2bn a month earlier in the year.

Top government officials are adamant that panic measures are not necessary, and are confident that oil production will continue to recover from its present level of some 1m b/d. The 1982 budget is based on a forecast of 1.3m b/d average production for the year—a level which the budget planners intend to be conservative.

"There will be some depletion of reserves, but we think it will not be as catastrophic as some people have been saying," Prof Nwankwo said. "What is likely to happen is some restructuring rather than necessarily cutting down.

"We are looking to redirect spending into quickly productive areas, such as flour mills, or cement plants, so that although expenditure will remain the same, the availability of more goods locally will tend to slow down imports."

Prof Emmanuel Edozien, the economic adviser to the President, said there was no plan to revise the targets of the Fourth National Development Plan (as dealt with in more detail elsewhere in this section) "as much as possible, we will not tinker with the plan. We will leave the figures as they are, and make adjustments in terms of implementation from year to year," he said. "Most competent people in the oil industry do forecast that the present glut cannot last indefinitely."

There remains considerable leeway for the Nigerian Government to finance its project spending from overseas borrowing. The country's debt-service ratio has increased sharply this year, as repayments of its jumbo loans of 1978 — $1.75bn — have fallen due, but it remains at little more than 5 per cent.

The plan is for spending to be allowed to go ahead, as long as it is financed offshore — and officials point out that the familiar Nigerian incapacity to spend all the funds allocated is unlikely to change.

The longer term problems remain. Prof Edozien admits that it is always easier to cut back on smaller spending programmes in the agriculture and social services sectors, than on the big projects, but he insists that such an easy option will be resisted.

Agriculture is critical to the Government's strategy of reducing its dependence on oil by increasing export crops, and cutting its import bill by growing more food. The record to date is disappointing—during the 1970s production of both subsistence and export cash crops grew at a bare 1 per cent a year, whereas food consumption grew by 3.5 per cent—leading to rapidly rising imports which will cost over N1bn this year.

Although 6.5 per cent of the public sector spending under the Third Plan was allocated to agriculture, only 3 per cent was spent.

Erratic supplies

However, President Shagari has committed himself to the Green Revolution as the highest priority of the latest plan, and has increased the proportion of spending on agriculture to 13 per cent of the federal Government's N40bn programme. The Government has also liberalised foreign investment conditions in agriculture—as explained more fully in the second part of this survey.

Manufacturing has proved equally difficult to promote. The rising costs of domestic production—including high labour costs—have been aggravated by continuing infrastructure problems—erratic power and water supply, often non-existent telecommunications — which the state spending programme has failed to eradicate.

Other problems have been unpredictable import controls on some spare parts and raw materials, uncertainty over the indigenisation programme, and the sudden imposition of a restrictive monetary policy during the last balance of payments crisis in 1978.

The Government is rethinking its package of industrial incentives, and studying proposals made by a World Bank team, to try and make manufacturing more attractive to local entrepreneurs than the more familiar occupation of trading.

The great bulk of government spending on the promotion of industry is going to steel, and the priority must be to encourage local manufacturers to set up ancillary industries. The economics of such heavy investment in basic industries—others planned include an aluminium smelter, fertiliser production, cement and petrochemicals—remains open to question.

"We believe we are on the right track in terms of our policies," Prof Edozien said. "We believe they will have a salutary effect on the economy."

However, the problem remains whether the Government, still in the throes of making Nigeria's democratic experiment a reality, has the political power to push through policies which may prove unpopular with many of the country's powerful political and industrial lobbies.

Quentin Peel

VISIBLE TRADE

Item	1978	1979†	1980*	Percentage Change 1978/79	1979/80
Imports (c.i.f.)	8,211.7	7,472.5	9,658.1	− 9.0	+ 29.2
Oil Sector	110.0	230.0	241.5	+ 109.1	+ 5.0
Non-Oil Sector	8,101.7	7,242.5	9,416.6	− 10.6	+ 30.0
Exports incl. re-exports (f.o.b.)	6,064.4	10,836.8	14,077.0	+ 78.7	+ 29.9
Oil Sector	5,401.6	10,168.8	13,523.0	+ 88.2	+ 33.0
Non-Oil Sector	662.8	670.0	554.0	+ 1.1	− 17.3
Total Trade	14,276.1	18,309.3	23,735.1	+ 28.3	+ 29.6
Oil Sector	5,511.6	10,398.8	13,764.5	+ 88.6	+ 32.4
Non-Oil Sector	8,764.5	7,912.5	9,970.6	− 9.7	+ 26.0
				(Actual change N Million)	
Balance of Trade	2,147.3	+3,364.3	4,418.9	+5,511.6	+1,054.6
Oil Sector	+5,291.6	+9,938.8	13,281.5	+4,645.2	+3,344.7
Non-Oil Sector	−7,438.9	−6,572.5	−8,862.6	+ 866.4	−2,290.1

† Provisional. * Estimated.
Source: Compiled from data supplied by the Federal Office of Statistics.

Oil glut casts doubts on Development Plan

PUBLICATION of Nigeria's Fourth National Development Plan is still awaited, ten months after it came into effect. Launched with great fanfare by President Shehu Shagari in January 1981, its two hefty volumes are only now being finalised by the National Economic Council, before presentation to the National Assembly.

In the meantime, oil production has been severely buffeted by the international glut, and is likely to take some time to recover to the 2m barrels a day of January. The plan, however, is firmly based on that level of production (see table), and forecasts a steady growth to a level of 2.37m b/d by 1985.

Whether the plan is realistic it is unlikely to be revised, but remains based on the targets of the 92-page official outline, published at the beginning of the year.

"We can either start scaling things down, which involves re-writing the entire plan, or we take the longer term view," Prof. Emmanual Edozien, presidential adviser on economic affairs, said. "Most competent people in the oil industry forecast that the present glut cannot last indefinitely. As much as possible we will not tinker with the plan."

Changes

The plan calls for investment of N82bn (nearly £70bn) over the five years to 1985, with a public sector involvement of N70.5bn—rather more than double the level of public sector spending in the previous plan period. But there have been significant changes in emphasis.

"There will be no room in the plan for grandiose or prestige projects such as we have witnessed in our recent past, President Shagari told the National Assembly in January." Rather, emphasis will be placed on simple, functional designs. . . "

Moreover, in key areas of heavy spending, there is a switch from embarking on new projects to maintaining and conserving those built in the previous plan periods. On infrastructure spending on power, water supply and telecommunications, for example, "the expansion of these facilities will be accompanied by increased emphasis on maintenance, so that the full benefits of existing investment can be realised," the plan outline says.

There has also been a definite re-ordering of priorities, in comparison with the previous plan for 1975-80. Promotion of agricultural production, in line with the President's "green revolution," is put as the highest priority, enjoying 13 per cent of public sector spending (compared to only 3 per cent before).

Education and manpower development is placed second, with the current shortages of skilled manpower described as "the most serious bottleneck to the capacity of the economy to absorb the increasing volume of investment made possible by oil revenues."

While infrastructure spending retains a high priority, largely because the heavy but haphazard spending on all forms of power and communications during the 1970s has failed to keep pace with the rapid growth of the economy, spending on other areas of basic needs such as housing and health is also particularly emphasised, as is the promotion of manufacturing industry.

Behind the plan priorities are a series of five-year economic forecasts which inevitably look optimistic in the light of current oil production.

In line with the oil output forecasts, Nigeria is expected to maintain a favourable balance of merchandising trade until 1985, when it will move into deficit.

Exports are expected to grow at 6.7 per cent a year during the period, as against import growth of 10.3 per cent, accounting for the sharp turnround in the trade balance from a forecast surplus of N2.82bn to a deficit of N242m.

Because of large and increasing deficits expected on non-factor services, net transfers and net factor payments, the current account is expected to stay in profit for only the first two years of the plan. But inflows of direct foreign investment and official capital should lead to an overall positive balance for the first three years.

If exports fall further below the target because of lower oil production, imports are *likely to be held back by further* controls, while efforts are made to attract more direct foreign investment and foreign capital. Import controls, in turn, would be likely to affect the overall economic growth rate forecast.

7.2 per cent growth

The plan outline assumes a real average annual growth rate of 7.2 per cent over the five-year period for gross domestic product. Within that, the fastest growing sectors are expected to be manufacturing, utilities and communications (15 per cent each), transport and general government services (12 per cent each), wholesale and retail trade (10 per cent), and housing (8 per cent).

In spite of its high priority, agriculture is only expected to grow at 4 per cent a year, a target which in itself is described as "unusually high in view of the fact that only 2.5 per cent per annum, on average, was achieved during the third plan period." The major constraints, are manpower, finance, organisation and rural infrastructure, the plan outline says.

The bulk of investment during the plan period is expected to come from the public sector, with the private sector only accounting for N11.5bn out of the N82bn total. Public sector investment is divided between the federal government (N40bn), the state governments (N28bn) and the Federal Capital Development Authority building the new capital at Abuja, with N2.5bn.

In spite of the worthy sentiments of the plan and the considerable detail of the final document, there must be considerable doubts about how much it will resemble the outcome. In the first place, underspending seems to be endemic to Nigerian bureaucracy, which simply lacks the executive capacity to spend at the optimistic rate expected of it. On the other hand, a number of state governments have been pressing ahead with their own pet projects outside the plan guidelines.

"Some of the state governments have been borrowing without letting us know," according to Prof. G. O. Nwankwo, executive director of the central bank.

"In a highly competitive political environment, it is difficult to monitor effectively. We have quite a number of political parties and state governments pulling their own way. The achievement-oriented psychosis of the state governments means that once a job is begun, they want to start new ones.

"1982 is a pre-election year, so all the political parties and state governments will be competing for something to show."

According to one idealised description, the Fourth National Development Plan is "the Bible for investment opportunities for many an investor." According to a more cynical version: "It is little more than a shopping list, and bears little relation to reality."

Quentin Peel

BALANCE OF PAYMENTS FORECAST
(N million)

	1980	1981	1982	1983	1984	1985
Merchandise exports	14,640	15,672	16,758	17,894	19,079	20,306
Merchandise imports	11,818	13,263	14,884	16,601	18,485	20,548
Trade balance	2,822	2,409	1,874	1,293	594	−242
Net service payments	−1,233	−1,259	−1,330	−1,493	−1,538	−1,622
Current account balance	1,589	1,150	544	200	1,160	2,380
Net transfers	−233	−262	−288	−306	−337	−364
Direct foreign investments	240	264	290	350	400	450
Official capital	560	700	750	800	850	900
Change in reserve (minus increase)	−2,156	−1,852	−1,296	−644	+247	+1,394

Source: Outline of the Fourth National Development Plan, 1981-85.

PROJECTED OIL PRODUCTION AND SALES, 1981-85
(m b/d)

	1980	1981	1982	1983	1984	1985
Output	2.15	2.19	2.24	2.28	2.32	2.37
Domestic demand	0.25	0.28	0.31	0.35	0.39	0.44
Exports	1.90	1.91	1.93	1.93	1.93	1.93
Price (naira per barrel)	20.10	21.31	22.50	23.94	25.38	26.90
Value of exports (Naira bn)	13.94	14.88	15.85	16.87	17.91	18.98

Source: Outline of the Fourth National Development Plan, 1981-85.

Skilled manpower shortage is biggest threat to growth

THE MANAGER of a parastatal corporation put one of the country's biggest problems in a nutshell: "In Nigeria, everything is delegated upwards."

In a nation suffering like any developing country from shortages of all forms of skilled personnel, the key problem remains management, both in the private sector and the overloaded state bureaucracy. The few who are able and prepared to take decisions are put under an enormous strain.

Mr Jan Smit, managing director of Nigeria Airways, tells how in one day he signed a contract to buy an Airbus A310, and another to buy 10,000 rolls of lavatory paper. An inordinate portion of his time is taken up with greeting VIPs coming or going from the airport, instead of running the airline.

Mr P. B. O. Nwajei, national airports director, cites the job of airport manager at Lagos' Murtala Muhammed international terminal. "He should earn five times what his counterpart earns at Heathrow," he said. "He has no back-up. He has to do everything himself."

It is scarcely surprising that the Outline of the Fourth National Development Plan says: 'It is well known that shortages of skilled manpower constitute the most serious bottleneck to the capacity of the economy to absorb the increasing volume of investment made possible by oil revenues."

The principal reason why the targets of the Fourth Plan are unlikely to be met, or why the Government's annual budget is always underspent is simply executive incapacity to implement the programmes set out.

Estimates of existing shortages and additional needs of the period to 1985, are given in the plan for specific categories (see table). It shows critical shortages in areas such as civil and structural engineers, where the 6,800 available represent only 55 per cent of current needs, or architects, where there are about 850, under 60 per cent of the estimated requirement.

Nigeria has undoubtedly made huge advances in the 21 years since independence towards increasing its national stock of high-level manpower. In 1960, the University of Ibadan, the only one in the country, had produced just 600 graduates since its founding in 1948. More Nigerians studied at universities abroad. But total annual production of graduates both at home and abroad was fewer than 1,000.

Dilemma

Today, more Nigerians graduate each year than in the entire period of British colonial rule, according to one estimate. Yet the shortages remain, causing an acute political dilemma.

If high-level jobs are to be filled, often the only answer is to employ an expatriate, which is in conflict both with the guidelines of Government planning and the instincts of many Nigerians. If expatriates are not employed, the jobs remain empty.

Another study has highlighted those jobs with the highest expatriate content: one-fifth of general managers and managing directors, more than a third of architects, 30 per cent of electrical and electronic engineers, and more than 40 per cent of dentists.

But perhaps even more critical than the shortage of top personnel is the lack of staff for the middle echelons. According to one estimate, a ratio of 1:4 is the ideal for top management to middle-level personnel in Nigeria. The sort of ratios found in the Government's 1977 study of manpower requirements were 1:0.5 for accountants to assistant accountants; 1:1 for managers and assistant managers to supervisors and foremen; 1:1.7 for engineers to technicians.

The civil service is a particular problem area because the huge increase in public sector spending financed by oil has put an almost intolerable burden on the public administration.

If you are irritated by bureaucracies anywhere in the world, it is best not to tempt the Nigerian civil service. Endless hours spent waiting fruitlessly in ill-lit rooms with slumbering messengers for a man who is "not on seat" would try the patience of Job. The problem is that calling by telephone is almost equally exhausting, for as often as not you are abruptly cut off, or left hanging in limbo until you give up.

Cannot pay

The lack of administrative capacity is worse at the level of the 19 state Governments in key areas like planning and budget control, with the result that a number of states are running huge budget deficits (in some cases as much as 100 per cent), and others are simply unable to pay their staff. There are real doubts that many states will be able to pay the newly agreed minimum wage of N125 a month.

The decision to set up hundreds of local government authorities, with 10 per cent of annual federal tax revenue to spend, has simply aggravated the acute problem of executive capacity.

Apart from continued expansion of the country's universities and polytechnics, the development plan calls for greater training efforts outside the formal educational system, especially in-service training. The plan also suggests greater efforts should be made to attract trained Nigerians back to the country: in 1978 alone 4,000 returned.

But one recent survey of manpower requirements concludes that while in the long run the solution lies in improving the quality and quantity of education, the short-run requires greater acceptance of the economy's dependence on expatriate personnel.

Quentin Peel

LABOUR REQUIREMENTS

Category of manpower	Current stock	Existing shortage	Additional requirement 1981-85
Architects	850	570	2,780
Accountants	5,000	2,140	5,300
Civil and structural engineers	6,800	5,560	9,350
Electrical/electronic engineers	3,500	1,500	3,750
Land surveyors	1,200	510	1,300
Quantity surveyors	700	300	1,050
Doctors	8,700	4,160	9,470
Pharmacists	4,000	1,710	3,400
Dentists	350	230	410
Nurses and midwives	58,500	25,070	56,930
Archtecturial technicians	1,080	1,030	1,730
Civil engineering technicians	12,800	6,890	15,390
Statisticians	350	230	410
Administrative officers	4,500	1,130	3,660
Executive officers	6,800	1,700	5,400
Librarians	750	500	900

Source: Outline of Fourth National Development Plan, 1981-85

Nigeria is resisting the temptation to finance balance of payments problems on the Eurocurrency markets. Its increased borrowing will be firmly project related, says Carla Rapoport.

Euro borrowing set to reach $2bn

NIGERIA is likely to maintain its increased demand on the Eurocurrency market despite its shrinking foreign reserves. Borrowings to the end of September equalled those of the whole of 1980 and more projects in the pipeline are likely to come to the market in the *next few months.*

The country's ability to pay is not in doubt; Nigeria is relatively under-borrowed and sports a low debt servicing ratio. However, the fees the country must pay remain hefty and the pressure could well be stepped up to widen the country's spreads.

According to Morgan Guaranty, Nigerian borrowers in the Eurocredit markets raised $1.4bn in the first nine months of this year, against $613m in the comparable period of 1980. For the whole of 1979 and 1980, borrowings amounted to some $1.3bn each year. So, on top of its worsening balance of payments position and its steady need for project finance, Nigeria faces a market that is nearly saturated with Nigerian paper.

RATE OF EXCHANGE OF THE NAIRA
(annual averages)

1976	N1=$1.60
1977	N1=$1.55
1978	N1=$1.57
1979	N1=$1.66
1980	N1=$1.81
1981 (six months)	N1=$1.56

Project related

Nonetheless, it is estimated that the country will seek $2bn in Euro currency borrowings next year.

All of this will be project related, according to Nigerian *officials. "We are not going to* go into any massive Eurocurrency borrowings to finance balance of payments deficits," said Pro. Emanuel Edozien, economics advisor to the President.

He said that upcoming lending would be tied to projects such as the country's standard gauge railway project and further steel industry developments. He put *Nigeria's total borrowing* outstanding in October at $6.3bn. The country's debt service ratio is about 5.3 per cent compared to 1.7 per cent last year. The increase is caused by payments coming due on the country's two jumbo 1978 loans of $1bn each.

A senior Central Bank official said: "We don't like to publicise our debt service ratio. If the politicians knew how low it was, we could never restrain *them."*

Foreign borrowing by state governments has begun to worry the Federal Government. Most of the 19 states have overspent their budgets and many have taken on overseas borrowings. With revenues to the states now likely to be curtailed due to drop in oil receipts, the states might be caught in a vice. Those with federal guarantees will be bailed out. But some states have been negotiating without *federal government approval,* according to senior officers.

Project oriented

"It is a highly competitive *political* environment here, it's difficult for us to monitor it effectively." Prof. G. O. Nwanrwo, executive director of the Central Bank of Nigeria, admitted.

But most banks that lend to Nigeria cushion themselves well against the risks. Generally banks receive two fees for participating in a Eurocurrency loan syndication. As lending is almost entirely project-oriented, the bank gets a front-end fee and a fee from the contractor of the project who contacts the banks.

A further reason for this fat fee arrangement is to avoid the politically sensitive topic of raising Nigeria's margin, which at the moment is ⅝ths above Libor on eight-year borrowings.

For example, on one of the Ajaokuta steelworks loans this year, a $348m eight-year facility, led by Paribas, offered banks not participating in the buyers' credit portion of the loan a fee of 2 13/16 per cent and manager status for subscribing for $7m, 2¼ and co-manager rating for $5-$6m, 2⅛ per cent for $3m and 2⅜ for as low as $1m. Those involved in the buyers' credit segment, which carries the backing of Coface, the French export credit guarantee agency, received 2¼ per cent for $10m.

Banks which do regular business with Nigeria have noticed the reluctance in the marketplace to make Nigerian loans. Further, bankers point to the disorganised state of the country's foreign exchange control. "It's hard to know exactly what's happening in the country and a lot of the time you get the feeling the people in charge feel the same way," said one banker.

However, the lure of high fees remains and bankers believe that Nigeria will once again tighten its belt and make it through the present difficulties relatively unscathed and, more importantly, as an increasingly reliable customer of the Euromarkets.

FEDERAL GOVERNMENT PUBLIC DEBT, DECEMBER 1980

Type/Source	(Naira m) 1978 (1)	1979 (2)	1980 (3)	Percentage Change Between (1) & (2)	(2) & (3)
External	1,252.1	1,611.5	1,866.8	28.7	15.8
ADB	—	—	2.5	—	—
Canada	35.6	32.6	32.5	− 8.4	− 0.3
Dumez	—	—	19.6	—	—
Hungary	—	—	10.5	—	—
IBRD/IDA	154.3	163.9	179.1	6.2	− 9.3
Italy	11.3	10.4	9.6	− 7.9	− 7.7
Japan	30.0	30.5	34.7	1.7	13.8
Netherlands	9.4	9.0	8.7	− 4.3	− 3.3
United Kingdom	43.6	42.4	38.0	− 2.8	− 10.4
USA ID	46.0	49.3	49.1	7.2	− 0.4
USSR	0.6	0.6	—	—	—
Western Germany	*34.1*	*231.1*	*281.1*	−577.7	*21.6*
Euro-Dollar-Loan	627.4	1,027.8	1.090.2	63.8	6.1
Others	259.8	13.9	111.2	− 94.6	−700.0
Internal	5,983.1	7,282.3	8,218.5	21.7	12.9
Banking System	4,293.8	4,965.6	5,793.1	15.7	16.7
Central Bank	3,197.3	2,549.2	3,125.9	− 20.3	22.6
Commercial Banks	1,096.5	2,416.4	2,667.2	120.4	10.4
Non-Bank Public	1,689.3	2,316.7	2,425.4	37.1	4.7
TOTAL	7,235.2	8,893.8	10,085	22.9	13.4

Source: Federal Republic of Nigeria Official Gazettes and Central Bank of Nigeria Economic and Financial Review—Various issues.

UAC finds diversification holds the key to healthy profits

UNITED Africa Company, with a finger in every Nigerian pie from ice lollies to GM's Bedford trucks, should achieve sales equal to $1.2bn (about £650m) this year. Black Africa's largest company by a wide margin, UAC's sales this year will be more than double any other company in Nigeria.

UAC's profits hit their peak in 1977 with 108m naira (about £90m) *reported at the pre-tax* level. It emerged as a Unilever subsidiary in 1929, taking in companies like The Niger Group and the African and Eastern Trading Company. The group flourished as a commodities trader, handling Nigeria's rich harvests of palm oil, groundnuts and palm kernels and selling worldwide.

With the discovery of oil, Nigeria shifted gear and so did UAC, moving away from produce and into pure trading. In the late 1950s, the group started the first knock-down truck assembly in the country. By the mid-1970s it was well launched in light manufacturing, producing ice cream, lotions, and tractors, but still remaining a trading company *with links from Japan to* Sweden.

The indigenisation decree of the mid-1970s obliged Unilever to sell 60 per cent of its holdings to Nigerians. At the same *time,* a gradual replacement of expatriate staff began. Today, only 10 per cent of the company's senior staff are expatriates and just five work in the new Niger House, UAC's headquarters on the marina in Lagos.

A prime example of the class of UAC executive is Mr Ernest Shonekan, at 45 the company's youngest-ever chairman. He is a London-trained barrister with 18 years' experience at AC and a Nigerian tribal chief. Perhaps it is the combination of these qualities, but Mr Shonekan is refreshingly blunt about business.

"This company's fortunes have always been heavily linked to Nigeria's fortunes. When the economy slumps, so do we," he said. A brief look at the company's profit record *(see chart) shows the connection.* When oil revenues dropped in 1978 and strict import controls were placed on *the private sector, UC took it* on the chin. Pre-tax profits nearly halved.

Since then, profits have edged upwards and the group has redoubled its effort to diversify *into manufacturing.* It invested N13m in a cosmetics and toiletries factory and N11m for another tractor assembly plant.

Improving

Last year, the group went to the market for the first time to raise N25m in a locally-syndicated loan, and another call for funds is likely this year. But *manufacturing only accounts* for about 25 per cent of sales, and because much of this depends on imported raw materials, UAC is still heavily reliant on securing import licences.

In a reference to the practice of political favouritism in granting import licences, Mr Shonekan said: "We have to steer clear of politics here and *I think that hasn't* helped us in the past. However, I have indications that the situation is improving."

In efforts to increase the locally-made content of its goods, UAC has run into what the chairman calls his only main competition: smuggling. "Anything that is banned in this country can be bought on the doorsteps of our Kingsway department stores, right across the country. How can I compete with the people outside my doors? You get better selection and better prices on the street. Why go inside?"

The Government is pushing the private sector to sell locally-made goods, but Mr Shonekan says the margins on these goods are "nothing to write home about. UAC is all over this country and we know all its nooks and crannies. We know the country and we know its needs. The Government wants agriculture to succeed. If they *really want it to succeed, they* have to take it away from its protected status and allow foreigners in. We need large-scale development here."

On a recent trip to Malaysia, *Mr Shonekan was impressed by* the agricultural development. "Why not do what the Malaysians did? Why not allow the *big companies in, and say, give* them a deadline, tell them to be out at a future date, or as in Malaysia, buy them out. I've been over this with the Government, I hope they will listen to me."

Pinching

Diffuse government policy in the timber business is also pinching UAC. Its African *Timber and Plywood subsidiary,* the largest and oldest timber business in tropical Africa, dates back to 1918 when the first sawmill was built on the Benin River. Snakes and malaria are no longer as troublesome. Instead the less venal, though equally destructive timber poacher, and an acute shortage of felling licences for legitimate operators have to be contended with.

Mr Shonekan says that 1980 profits would have been much better had it not been for the situation at African Timber. "Despite our appeals to the government regarding forest allocation and illegal felling, no relief was forthcoming," he said.

The experts say that in five *years there will be nothing left* of Nigeria's forests. UAC has put forward a reafforestation project, but the company was not given any security of tenure on the land in question. "We *are still talking, and there* could be some hope," Mr Shonekan says. Land concessions, like import licences, are subject to party favouritism. Even when concessions have been granted, illegal fellers often arrive first. "We got one concession and we found 50 per cent of the trees were gone," Mr Shonekan said.

Any large company faced with such problems has to be fast on its feet. The group is putting more money into its relatively new particle board and plywood operations, which are not so heavily dependent on lumber, but even in this busi*ness smuggling and undercutting* are rampant.

UAC's policy, acquired from Unilever, is simply that the group will forfeit business rather than pay out bribery money to someone. "We try to teach this principle to every employee," the chairman said.

But Mr Shonekan sees an *improving climate for business.* "We've been consulted by the new government and the dialogue goes on. Under the military, we received the orders. Now we have this two-way flow. *I think as time goes on, this can* only improve."

Disapproving

As for the current economic slow-down, he doesn't predict it will be as severe as the last one. "We Nigerians are very good at bailing ourselves out of crises. The last experience is fresh in our minds. The president will know how to apply the brakes and there is evidence that this is beginning already."

The chairman is proudest of the international orientation of his staff. "You've got to have a certain number of expatriates *here if you want to succeed. On* the reverse side of the coin, you need to allow your Nigerian employees to get out in the world and see how things operate." Through the company's links with Unilever, it is able to do this on a regular basis.

On one of his frequent trips *to London,* Mr Shonekan spoke to Lord Carrington about his disapproval of the prohibitively high school fees for Commonwealth students. "Those of us trained in Britain think of *Britain first, and that won't be* happening in the years ahead. It's a pity."

So far, however, the link with Britain remains firm. UAC is considering a quotation on the London Stock Exchange. Beyond that goal, Mr Shonekan hopes to convince his Government to reduce restrictions on trade with other West African countries.

"Why should my products be smuggled into Ghana or the Ivory Coast? I'd like to see UAC trading throughout Africa." With some 20,000 employees under him, Mr Shonekan is conscious of *standing* at the head of the largest private company in Nigeria.

"I travel a lot and I see a lot of other companies and how they're doing. I think we compare favourably, but there's no reason we can't do better."

Carla Rapoport

Refineries to expand under Plan

NEARLY N3bn is scheduled to be spent on refineries and petrochemical projects under the Four National Development Plan.

The total refinery programme would cost an estimated N1.5bn, with the Government contributing about a third from treasury sources. The major part of the allocation will be taken up by the proposed fourth refinery which will have a capacity of 200,000 tonnes per day.

The capacity of the Warri and Kaduna refineries will be raised from 100,000 to 120,000 barrels per day.

Petrochemical plants will be attached to the Kaduna and Warri refineries to produce benzine, solvent, carbon black and polypropylene. The £32m contract has been awarded to Tecnimont, a subsidiary of Montedison for equipment and plant at the Warri polypropylene plant, which will use technology licensed from El Paso of the U.S.

A separate plant will also be built to produce basic Montedison for equipment of plastics, synthetic fibres, detergents, chemicals and solvents used in the agricultural, building, textile, electrical and pharmaceutical industries.

Phase I will cost about N113m, and Phase II N1.14bn, out of which the Government will contribute around N450m. A further sum of N18m is set aside for preparatory work on Phase III, which will be carried out during the Fifth National Development Plan.

Vital oil industry is going through difficult times

IT HAS been a grim year for Nigeria's oil industry and short-term prospects are uncertain.

Much will depend on the outcome of the latest Opec meeting, scheduled to be held shortly after this survey went to print, at which it was widely forecast members would agree on a unified price structure.

Shortly before the meeting was due to take place it emerged that Nigeria had extended credit terms to purchasers from 30 days to 120 days. Since each 30-day credit period is an effective reduction of 50 cents per barrel, the move brought the price of Nigeria's down from US$36 to US$34.50, only US$2.50 over the price of Saudi Arabian oil. Were this differential—which in the view of most observers should be US$3—to be maintained, Nigerian production could reach 1.5m barrels per day (b/d).

In the coming months the Government faces two critical issues which will have a profound impact on the country's vital export: Is its pricing policy too inflexible, and is the proportion of oil marketed through third party dealers too high? And over the same period President Shagari's administration must come to grips with the thorny problem of rising domestic fuel consumption at heavily subsidised prices.

A handful of statistics serve to illustrate the all-important role of oil, and some of the implications of this year's slump in production. The value of crude oil exports rose 33 per cent in 1980 to N13.5bn, despite a 9 per cent fall in volume, due largely to three price increases in 1980 which pushed the average price up from the 1979 figure of N12.70 per barrel to N18.50. Receipts accounted for 96 per cent of export earnings last year and over 80 per cent of Federal Government revenue.

Inevitably the commodity plays a key role in the Five Year Development Plan for the period 1981-85. The Plan is predicted on 1981 production of 2.19m barrels per day (b/pd), rising slowly over the plan period to 2.37m in 1985, at a price moving from N21.31 pb to N22.50 next year and reaching N26.90 in 1985. Domestic demand according to government figures is expected to climb from 280,000 b/pd in 1981 to 440,000 b/pd in 1985.

Disruption

Yet events over the past few months have upset the planners' forecasts. Although the impact was cushioned by the 15 per cent fall of the naira against the dollar, oil production fell from 2m b/d in January this year to 710,000 b/d in August, the lowest for over 10 years.

The reasons: Nigeria's price of $40 pb for Bonny Light was far too high for a market influenced by the West's drawdown on stockpiles in the light of high interest rates, the continuing recession in the industrialised world, and the insistence of Saudi Arabia, the world's largest producer, that its price would remain at $32 pb.

PRODUCTION BY COMPANIES 1970-1979

('000 b/d)

	Shell/BP	Gulf	Mobil	Agip Phillips	Elf Aquitaine	Chevron Texaco	Ashland	Panocean	Total
1970	791	233	54	4	—	2	—	—	1,084
1971	1,108	277	72	38	25	10	—	—	1,530
1972	1,208	327	166	52	55	10	—	—	1,818
1973	1,294	365	222	101	64	8	—	—	2,054
1974	1,398	369	248	155	84	2	—	—	2,256
1975	1,149	227	197	157	73	7	6	—	1,786
1976	1,235	293	231	186	76	34	8	4	2,067
1977	1,212	291	223	214	74	53	7	10	2,085
1978	1,088	262	201	227	77	53	8	10	1,926
1979	1,318	375	244	208	78	54	8	7	2,292
1980	1,165	344	213	184	86	43	9	8	2,052
1981*	747	299	167	122	69	39	9	8	1,460

* January-August.
Source: Petroleum Economics Ltd.

It was not until August 26 that Nigeria finally succumbed to the pressures and announced a $4 discount per barrel, bringing its price down to $36. Why did the Government wait so long, despite the urgings of its operating partners in Nigeria who recommended action at the end of the first quarter?

Part of the explanation from Government sources stresses the importance Nigeria attaches to its membership of Opec, and hence a considerable reluctance to take unilateral decisions on oil pricing.

It was accompanied by the belief that an Opec agreement on price would be accompanied by a cutback in Saudi production. The fear was that if the Nigerian price were reduced without such a Saudi cutback, the subsequent Nigerian production level would not have been high enough to justify the price cut.

At best it was a gamble that did not pay off. Nigeria suspected earlier in the year that the international oil companies were manipulating the market. Later this changed to resentment over the role of the Saudis. At worst, the policy makers—who include President Shehu Shagari himself and his special adviser on oil, Yahaya Dikko—misread the market and Saudi Arabia's intentions.

Yet pressure was mounting throughout the second quarter. In June, Britain cut the price of North Sea oil by $4.25 to $35 while Mexico also reduced her oil price. Nevertheless, the next month the four African producers—Nigeria, Algeria, Libya and Gabon—met in Algeria and agreed to hold their prices to between $40 and $41 pb. But the last straw came in August.

OPEC members meeting in Geneva failed to agree on a unified price system and Nigeria gave way to market forces.

So now the real question is what should be the price of Bonny Light if it is to compete with the heavy Middle East Crude? Most company sources agree that the discount should have been between $5 and $5.50 if Nigeria wanted production to reach 1.5m b/pd to 1.7m b/pd, and argue that Plan targets will remain unrealistic.

Government officials, however, maintain that the companies were shifting their assessment of the cut throughout the year. In April and May, they say, companies advised a $2 discount. This rose to $3-$4 in June and July. "As late as August the companies were talking of $3-$3.50," said one source. Before the critical August meeting at least one company executive expressed his hope for $4, and expectation of $3.

Government sources today acknowledge that they pursued a policy which did not succeed. When Nigeria decided to maintain its price after the May meeting of OPEC (hoping that Saudi Arabia would move up from $32) there were substantial foreign reserves of some N6bn which could provide a comfortable cushion.

Had government at this stage kept back import spending, Nigeria might have held out longer. But in fact May and June saw increases in imports above the previous 12-monthly average of N1bn-N1.2bn. Thus when Nigeria asked for the Opec meeting in August, its position had been seriously eroded.

"If there is criticism to be made of government," says one official, "it is not so much on inflexibility as on the timing of the discount. Government was always prepared to cut if it finally proved necessary, though in public it had to take a tough stance. Perhaps we should have offered our dis-

CONTINUED ON NEXT PAGE

THE PETROLEUM BUSINESS

Nigerian National Petroleum Corporation (NNPC) is the state oil company and majority partner in almost all production ventures. It also has a major stake in three product marketing companies and owns the country's three refineries, petro-chemical facilities and the pipeline distribution network.

The main producers are:

Shell Nigeria, the largest producer. Originally a joint operation with **BP**. Nationalisation of the latter in 1979 brought the NNPC holding to 80 per cent.

Gulf and **Mobil** each has 40 per cent stake with NNPC holding the remaining 60 per cent in joint ventures. Second and third largest producers.

Phillips is a 20 per cent partner in a joint venture with Italy's **Agip** (20 per cent), and NNPC 60 per cent.

Texaco Overseas is a joint venture with **Chevron** and NNPC, holding 20 per cent and 60 per cent respectively.

Elf of France has a 40-60 per cent production venture with NNPC; **Panocean** is 60 per cent owned by NNPC; and **Mobil, Tenneco** and **Sunray** operate a joint venture on the same terms with NNPC.

Joint venture: NNPC and the operator, e.g. Shell, have access to production on the basis of their participation percentages. Shell operates the JV on a non-profit making basis. Shell makes its profit on its share of production, selling it f.o.b. to an affiliated Shell company. The profit margin was fixed by Government in 1979 at 80 U.S. cents per barrel. Overall the Government takes around 98 per cent of total oil receipts.

Equity crude: that percentage of production which is owned by the companies in a proportion commensurate with the companies equity participation.

Purchase or contract crude: the companies have contractual rights to purchase certain amounts of crude from NNPC.

Third party dealers: independent purchasers who buy on short-term contracts NNPC equity crude.

Deemed oil: At times—such as during the 1978 oil glut—NNPC was unable to sell all its planned entitlement at the asking price. The shortfall, termed deemed oil, remained in the ground.

Bonny light: the representative Nigerian crude oil. It is among the world's lightest—average American Petroleum Institute gravity of 36°, and a sulphur content content of less than 0.3 per cent, hence the term "sweet."

Discount fails to attract third parties

CONTINUED FROM PREVIOUS PAGE

count after Britain and Mexico acted in June."

It is too early to judge the *medium term impact* of the new price. September output rose to some 1.06m p/d but not all of the increase was attributable to the new price. Some companies are said to have raised production in September because they had to avoid a $2 per barrel penalty for failing to lift their quarterly quota. The cyclical factor in world oil demand also played a part.

An important element was lukewarm response of third party dealers. In the sixties and seventies Nigeria and other Opec countries sold to third parties in an effort to take advantage of rising prices. By the end of last year about 30 per cent of Nigerian production was marketed in this way, with *government to government deals* accounting for 15 to 20 per cent. The U.S. remains the largest outlet, taking 44.3 per cent of crude oil exports in 1980, down from 46.8 per cent in 1979. West European countries accounted for 37.3 per cent, while African countries fell from 3.4 per cent to 2.8 per cent.

Pricing clause

The disadvantage of third party deals is that the 12-month *contracts have a three-month* pricing clause, and can be ended if terms are not competitive. "In each of the slumps in the 1970s," said one company official, "the third parties walked away in droves. Now Nigeria has finally realised that those who have a stake here will stick with them."

So far the discount has not attracted third parties back. There was considerable interest in the first few days, say Government officials, but this *dropped off sharply when the* Saudi Oil Minister, Sheik Yamani, suggested that Nigeria might have to make a further reduction.

In an interview in the August 31 issue of Petroleum Intelligence Weekly, he said the discount would help Nigeria increase its production but added: "There is a possibility that further *price cuts might be* required in order to move the volume of oil Nigeria needs to export to meet its financial requirements." He went on to express the *commonly* held view that the differential between Saudi and Nigerian crude should be $3.

Whatever the outcome, *Government sources* acknowledge that the proportion of sales to third parties must be reconsidered.

What then are the prospects *for 1982? Company sources* believe that if the price remains at $36, and international conditions are unchanged, output is likely to stay between 1.1m b/pd and 1.3m b/pd in the last quarter of 1981. A substantial rise in 1982 is considered unlikely, and one estimate put production at under 1.5m b/pd.

This may well coincide with the Government's own assessment, for one senior official said the *1982* budget had been prepared on an expectation of 1.3m b/pd. The problems this creates for planners is assessed elsewhere in this survey.

The extent to which Government policy making during these demanding months has been adversely affected by the lengthy process of reorganising *the NNPC is probably limited.* The major issues of price and production and Opec negotiation is conducted by a handful of men, while the NNPC's role *is predominantly administrative.*

Although the so-called Oilgate Scandal — allegations that N2.8bn had gone missing from the Corporation's accounts — is *long over, the recommendations* of the tribunal of inquiry have yet to be fully implemented.

It was a year before the new board, with Mr Horatio Agedah as chairman and Mr Lawrence Amu as managing director, was sworn in by the president. The Bill restructuring the NNPC into five subsidiaries — exploration and exploitation, refining, *petrochemicals, gas and marine* transportation — has yet to win National Assembly approval.

Reputation

But perhaps more important than the structural changes are efforts to make good the Corporation's weaknesses, notably in the areas of accounting and administration. Mr Amu brings with him a good reputation as a manager from his days at the National Electric Power Authority (NEPA), where he worked with Yahaya Dikko, when the latter was general manager before his appointment as oil adviser.

His close relationship with M Dikko may improve communications between the Government and the Corporation, but as a man unfamiliar with the oil industry he needs time to come to grips with one of Nigeria's most demanding jobs.

Mr Amu will have an important role to play in two subjects which have effectively been shelved during an interregnum which left NNPC staff demoralised.

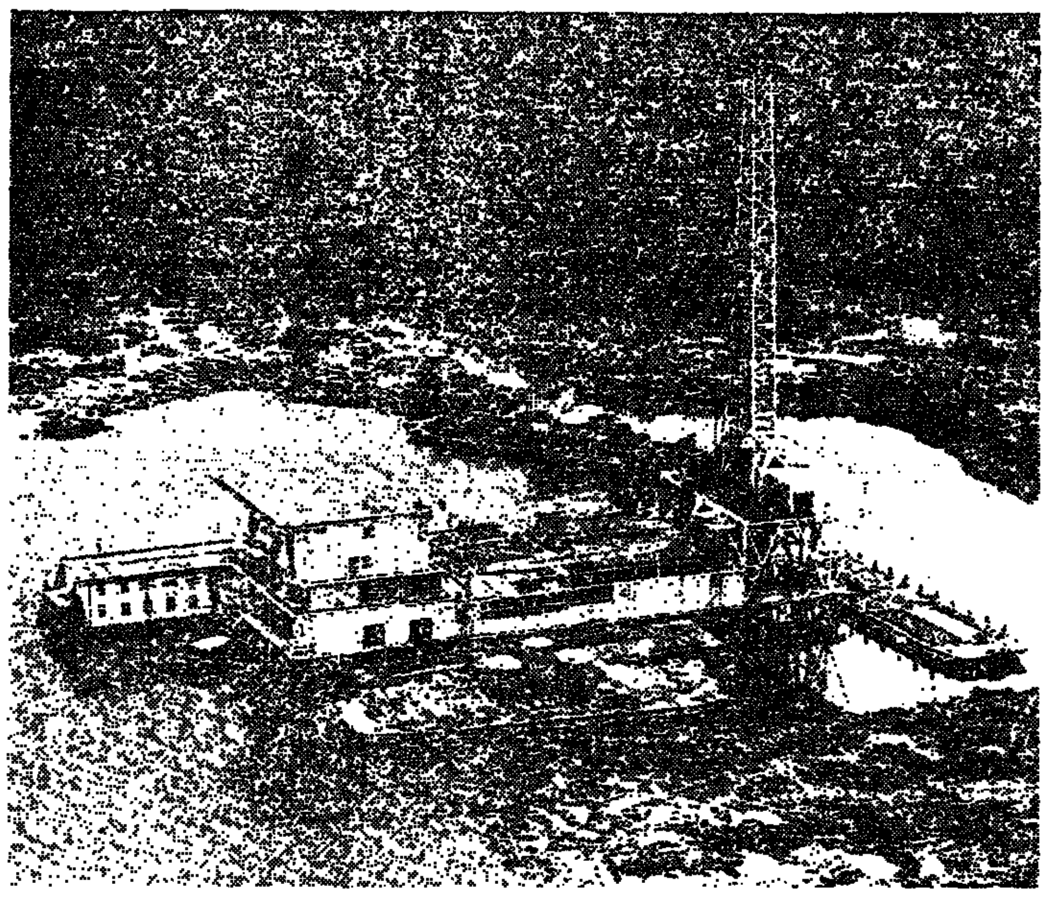
The oil companies are pressing for a review of profit margins. The companies have long been arguing that inflation has pushed operating *costs to at least $1.60.* One government source acknowledged that the margin has to be reviewed—though challenging the companies figure on *costs—but this would not take* place before next year.

The second subject is the terms on which new exploration takes place. In 1979 NNPC offered 72 blocks, offshore, in *the Niger Delta and up country*, but only 11 were taken up—by Agip, Elf, and the Nigerian-owned Nigus. Companies found the terms unattractive, for the *equity formula was dropped and* replaced by what amounted to service contracts. "The acreages are still sitting there," said one company official, "but *there have been no new fiscal* incentives."

Nigeria's reserves are put at 20 years, although the companies are still discovering more crude than they take out. *Nevertheless,* the level of domestic consumption is of increasing concern.

The country's domestic oil needs have risen from 28,000 *b/d* in *1970* to around 280,000 in 1981 according to official figures, though industry sources put it lower, at around 220,000. Dr Alex Ekwueme, the vice-president, told a recent energy symposium that according to some estimates "by 1985 Nigeria will be consuming 25 per cent of its oil production, and by 1990 it will be consuming 50 per cent."

He called first for energy conservation, and secondly raised the painful measure of bringing domestic prices in line with international prices. At present, he pointed out, Nigeria sells a barrel of oil to the domestic market at a third the world price: "It is a massive and perhaps *indefensible* subsidy ... because the beneficiaries of most of this massive subsidy are Nigerians in the higher income echelons."



Drilling for oil on the Shell Nigeria rig Swamp Queen off Port Harcourt.

SELECTED DATES IN THE NIGERIAN OIL INDUSTRY

1908 Nigerian Bitumen Corporation drills 14 wells along northern edge of Niger Delta Basin and off Lagos but the finds are not commercially exploitable.

1937 Shell D'Arcy starts explorations in southern provinces, activities suspended during Second World War.

1946 Shell-BP begins 10-year search.

1956 Oil found in commercial quantities at Oloibiri and Afam.

1958 Pipeline from Oloibiri to Port Harcourt carries first shipment of crude oil.

1958-59 Discovery of Ebubu and Bomu oilfields in the east, Ughelli in the west.

1961 Production tops 50,000 barrels per day, justifying development *of Nigeria's first refinery at Alesa-Elema.*

1963 First offshore discovery—Gulf Oil at Okan Field.

1967 Shell-BP crude oil production reaches 500,000 bpd.

1969 Military Government issues Petroleum Decree, placing "entire ownership and control of all petroleum" in hands of the state.

1973 Government acquires 35 per cent of the equity of oil companies, and a further 20 per cent the following year.

1977 *Creation of the Nigerian National Petroleum Corporation* (NNPC).

1979 NNPC's stake in the foreign companies increased by 5 per cent making a total of 60 per cent.

1979 The Military Government nationalises BP's 20 per cent stake in the NNPC-Shell-BP joint venture, and takes the *remaining percentage of BP-Nigeria's marketing company.*

1980 April: Tribunal of Inquiry appointed to investigate allegations that N2.8bn had gone missing from the accounts of NNPC.

1980 August: The tribunal's report describes the allegation as a "hoax."

1981 March: Government reaches agreement with BP on compensation worth £60m.

1981 May: OPEC ministerial meeting in Geneva agrees to freeze prices and cut production between 5 and 10 per cent.

1981 June: Britain announces cut in North Sea oil price by US$4.25 to US$35 per barrel.

1981 July: Four African producers—Nigeria, Algeria, Libya, Gabon—meet in Algeria and agree to maintain prices at US$40-41 per barrel.

1981 August: OPEC members meet in Geneva and fail to agree *on unified pricing system.* Nigeria announces "discount" of US$4.00 per barrel, cutting prices to US$36 per barrel.

1981 October: Nigeria extends credit terms, effectively reducing price to US$34.50 per barrel.

DOMESTIC CONSUMPTION

('000 b/d)

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
Gasoline	9	12	14	17	21	26	34	53	53	59
Kerosene	5	6	7	8	9	12	15	18	21	22
Gas Oil	7	9	11	13	14	16	21	29	37	35
Fuel Oil	4	5	6	8	8	9	11	10	12	12
Others (residual)	3	2	2	1	2	2	2	10	11	3
Total	28	34	40	47	54	65	83	112	134	134

Source: Nigerian National Petroleum Corporation

Corporations play a role in the community

Higher cassava yields are the result of improved strains grown at Agbarho Farm Centre near Warri

THE Nigerian National Petroleum Corporation (NNPC) and its partners are in the front line when it comes to dealing with local problems in their operating areas.

In vain, company officials point out that about 98 per cent of revenue goes to Government which will spend the money as it sees fit. "You are the millionaire's son," the locals reply, and the joint ventures which NNPC have with companies like Shell and Gulf are expected to play an important role in the community. It ranges from supplying a helicopter to a state commissioner who wishes to avoid a lengthy boat trip along the winding waterways of the Delta region, to providing space in the company mortuary when the local hospital's facility is full.

The state of local roads, *inadequate* water and electricity supplies, the need for new schools, the incidence of armed robberies, the frequent problems of communicating with Lagos — companies are expected to help out with. And all this apart from dealing with oil spillage and demands for compensation from farmers and fishermen.

Issues

At Warri, from where NNPC-Shell runs its Western Division, the public relations campaign is mounted on two fronts. Two-day seminars are held once a month for local officials and politicians, at which the workings of the industry are explained, and contentious issues such as revenue allocation are discussed.

The seminars also give an opportunity to review current developments in the industry. NNPC-Shell's Western Division figures starkly illustrate the dramatic slump in national production.

The region's technical potential is 705,000 barrels per day (b/pd); NNPC places a current ceiling on production of around half-a-million barrels. But as a result of the world oil glut and other factors, production in the division dropped from 550,000 b/pd to 127,000 b/pd in July, August and September.

But the fall has not affected NNPC-Shell's community development programme under the enthusiastic direction of Chief Philip Ohuyon. It includes an experimental farm, pilot projects in poultry and pigs, rubber and palm oil, while a fish farm is soon to go into operation.

Although the programme reaches over 5,000 farmers and includes small scale financing and livestock assistance, the main purpose is to demonstrate what can be done with the right techniques and inputs.

Thus at the Agbarho Farm Centre—research is under way into cassava, a root which provides the staple food in southern Nigeria. The work, carried out in co-operation with the Bendel State Ministry of Agriculture, the Federal Department of Agricultural Research and the International Institute of Tropical Agriculture, has produced a blight-resistant, high yield (five times the local average) plant. Cuttings are sold at a nominal charge to farmers.

Meanwhile poultry is an increasingly important source of protein and the success of one entrepreneur who has had help from NNPC-Shell will encourage others.

Mr Alfred Uhido proudly displays his 700 laying hens housed in a wire mesh fenced shed behind his home at Akiewe-Owhe.

He bought them as day-old chicks and lost only a handful in the four months it took them to reach the laying stage. His ambitious three-year expansion plan envisages 10,000 layers and 15,000 broilers on 14 acres of nearby land he recently purchased. Funding will come from the Agricultural and Co-Operative Bank but in the meantime he has had the assistance of NNPC-Shell in obtaining regular supplies of feed.

There is certainly no problem about the local market. Warri itself, once little more than a trading centre strategically placed on the delta, is now a boom town. It's the site of one of the country's three refineries, the new port opened in 1979 and a steel plant is under construction. Corrugated iron sheds strung out along the main road sell everything from colour television sets and stereo equipment to wine.

Michael Holman

ENERGY CONSUMPTION
(tonnes of coal equivalent)

	1978	% share	1979	% share	1980*	% share	% change 1978/79	% change 1979/80
Coal	181,706	1.5	148,703	1.1	128,107	0.8	−29.5	−13.9
Hydropower	1,129,874	9.1	1,580,802	11.5	1,461,817	9.5	29.4	−7.5
Gas	1,380,431	11.1	1,848,754	13.4	1,918,901	12.4	39.0	3.8
Petroleum prods.	9,719,523	78.3	10,195,704	74.0	11,946,320	77.3	22.9	17.2
TOTAL	12,411,534	100.0	13,773,963	100.0	15,455,145	100.0	24.5	12.2
Index of Energy Consumption (1972=100)	319.7		337.2		393.2			

* Provisional. Sources: Federal Ministry of Mines and Power: Nigerian National Petroleum Corporation and National Electric Power Authority.

Mining sector dominated by petroleum industry

THE DOMINANCE of the petroleum industry in Nigeria's mining sector is illustrated by projected investment over the five year period of the Fourth Development Plan.

Of the N6,575m set aside, all but N360m is earmarked for projects to be carried out under *the Nigerian National Petroleum Corporation.*

With the exception of limestone, all minerals—coal, tin, columbite—continued to decline in 1980. The trend is unlikely to change until the serious problems encountered by the Nigeria Coal Corporation (NCC) are resolved, and plans for restructuring the tin industry get under way.

Under the Plan, N60m has been allocated to the NCC, of which N20m is reserved for the proposed Okaba decarbonisation plant, which will produce tar, coke, and chemical by-products. The balance will be spent on re-equipping and rehabilitating the Enugu coal mines. Their production capacity target is 2.4m tons by 1985.

However, the two deep mines at Enugu—Onyeama and Okpara—are struggling to overcome problems encountered during their mechanisation programme. Polish equipment worth N20m has proved unsuitable for Nigerian conditions and earlier this year a senior NCC official said complete replacement was necessary if mechanisation was to succeed.

Projects included under the N120m allocation to the state owned Nigerian Mining Corporation (NMC) are the N40m clay brick plant at Abuja and N14m for the Jakura Lime Plant. A further N10m will be spent on a refractory plant at Sokoto which will produce heat resistant bricks used to line the interiors of kilns, such as those at smelting plants and steel furnaces.

A major venture, scheduled to get under way "early in the Plan period," is the N150m Associated Ores Mining Company. Its operations in the Itakpe Hills would provide the raw material for the iron and steel complexes at Adiaokuta and Warri. The target is 7.28m tonnes or iron ore annually.

A further N10m is set aside for the NMC's participation in the Nigerian Uranium Mining Company (NUMCO). It is a joint venture with Minatime of France in which the NMC holds 60 per cent on behalf of the Government. The company is responsible for the exploration of uranium deposits in Gombe and elsewhere.

Other exploration includes trial mining of gold at Ilesha after the first results suggested mineable reserves of 10,000 ounces. Exploration has also started in the north-western region of Nigeria. The NMC has reached agreement with Stroiexport Development of Nigeria to carry out a search for lead, zinc and salt in the Abakaliki area.

Michael Holman

INDEX OF MINERALS PRODUCTION

	Cassiterite (Tin ore)	Columbite	Coal	Limestone
1973	86.7	91.5	95.9	128.2
1974	81.0	96.5	89.2	128.8
1975	65.8	72.9	72.7	117.5
1976	55.0	49.5	76.3	110.6
1977	48.5	63.4	77.6	88.5
1978	43.7	41.7	64.2	84.3
1979	42.0	41.7	52.8	151.3
1980†	39.2	40.2	44.5	179.0

† Provisional
Source: Central Bank

COAL PRODUCTION
('000 tons)

Year	Production
1970	24,000
1971	176,000
1972	334,940
1973	340,972
1974	277,753
1975	270,935
1976	282,727
1977	267,159
1978	204,837
1979	163,021
1980	155,477

Source: Nigerial Coal Corporation

Huge investment needed to release gas potential

NIGERIA has the potential to become one of the world's major gas exporters but government continues to look with trepidation at the multi-billion dollar investment required.

Mr S. M. Akpe, a senior official in the Nigerian National Petroleum Corporation (NNPC), told a recent symposium that the country's natural gas reserves at the beginning of this year were 88 trillion standard cu ft (scu) the equivalent of about 15bn barrels of oil, while gas which is currently flared represents some 400,000 barrels a day.

Yet it remains far from clear when the project designed to take advantage of this massive resource will get off the ground: the $14bn Bonny liquefied natural gas (LNG) plant.

The country's gas falls into two categories. Associated gas is the product of the oil wells and represents about 20 per cent of reserves while the balance is untapped. Since the fields are small and scattered, economic collection of the associated gas is not feasible. It is generally accepted that a Government decree stipulating that by 1984 companies must either use the gas or prevent flaring (burning gas off) is unrealistic.

Domestic gas consumption is little more than 8 per cent of associated gas. But a project like Bonny would take as much as 2bn cu ft per day (cf/d).

The proposal has a long history, going back to the mid-60s when the UK Gas Council considered the possibility of LNG imports from Nigeria.

This was abandoned on the discovery of North Sea Gas, but during the 70s Shell's technical service division carried out various studies. In 1976 the Government announced that there would be two liquefaction plants sited at Escravos (subsequently Peterside was proposed) and Bonny.

The Bonny LNG company was formed in 1978 by the Nigerian Government, Shell and BP Africa Gas. But in the second half of 1977 the Government merged the two projects into a single plant at Bonny near Port Harcourt which would consist of six "trains" (process units) in which the Nigerian National Petroleum Corporation held 60 per cent, Shell and BP each 10 per cent, and Elf, Agip and Phillips split the remaining 20 per cent.

A gas gathering pipeline would tap fields of associated and non-associated gas to the east of the Niger River, and the project would include construction of a harbour and the purchase of up to 16 LNG-carrying vessels. In 1980 the company signed a letter of intent with a European consortium for the sale of half the output for 20 years, with provision to take the balance should no other buyers be found. The U.S. market appears doubtful because Bonny LNG prices would probably not be competitive with Canada and Mexico.

Little progress has since been made and last month the project experienced a setback. Phillips relinquished their 7½ per cent equity share and announced that they would cease to be technical managers and operators of the scheme by February 1982.

The Phillips share is likely to be taken up by the four outside shareholders—probably Elf and Agip. Consultations have begun over the appointment of new technical managers—likely to be Shell or Elf—but the effect of Phillips' withdrawal is to set back the project at least six months. First shipments of LNG are now not possible before 1986.

Phillips' withdrawal was announced in a bland statement issued by the office of the President, in which the Government expressed its "firm intention to proceed with the project." But industry sources believe a major factor in Phillips' decision was a growing impatience with Government's reluctance to press ahead with a firm commitment.

Of the total investment of at least $14bn, some 60 per cent is to be borne by Nigeria. But references to the project in the outline of the Fourth National Development Plan appear lukewarm. "It is evident," the Outline states, "that it will not be possible to carry the project along with other Government commitment during the Plan period (1981-85) except through massive private-sector participation." The Plan made token provision of N300m and anticipated that work would begin by 1984.

Public statements recently, however, have been more positive, and Yahaya Dikko, President Shagari's oil adviser spoke of the "executive branch gearing up to launch Bonny LNG," making the point that LNG sales would compensate for the expected decline in foreign exchange earnings from oil.

But he went on to list some of the complex contractual points that must be resolved with customers before partners in the venture and investors could take the plunge. They must be satisfied that the base price is right, reach agreement on a formula for price increases, and make provision for renegotiation should changing circumstances warrant it.

Despite unanimous agreement that Bonny LNG would become a lucrative export Government is nevertheless in a difficult position for it must commit itself to the project at a time when oil revenue is falling and foreign exchange constraints are increasing.

Michael Holman

GAS UTILISING PROJECTS UNDER WAY OR PROPOSED

Project	Average Daily Requirement (Million Cu Ft p/d)
Bonny Liquefied Natural Gas (LNG)	2,000
Aladja Steel Plant	70
Ajaokuta Steel Complex	200
Nigeria Electric Power Authority, Lagos Power station (*with provision for industrial consumers*)	400
NEPA Afam IV Extension	140
NEPA Sapele Phase II	150
Abuja (Federal Capital Territory projected needs)	100
Onne Nitrogenous Fertilizer Plant	65
Warrie Refinery Petrochemical Plant	30
Total	3,155
Current gas contracts	316.5

Source: Nigerian National Petroleum Corporation

Plan for higher efficiency aimed at increasing tin production

IN A landscape of volcanic outcrops and hillocks from past workings, a 1936 U.S.-made Bucyrus Monighon drag line is still going strong.

It is tearing away overburden in its 7 cu yard bucket and exposing the tin-bearing layer of sand and gravel in one of two adjacent sites near Bukuru, mined by Amalgamated Tin Mines of Nigeria (ATMN).

In the mid-sixties ATMN was one of the world's biggest tin producers, reaching a peak of over 5,000 tonnes a year and helping to put Nigeria into fourth place in the international export table for the mineral. There has been a steady decline since then to a forecast 2,500 tonnes this year (of which ATMN will produce about half) while Nigeria has fallen to around 11th place in the table.

Tin mining in Plateau State goes back to the sixteenth century when "straws" of the metal were used as a currency. The first commercial venture began in 1909. By 1914 over 6,000 tonnes of cassiterite were produced by a workforce of nearly 300 expatriates and 18,000 Nigerians.

Times, however, were difficult. In his annual report for the year in which the First World War broke out, Mr E. A. Langslow Cock, Government Inspector of Mines, notes that "a feeling of uncertainty was general among the mine managers, and there was a doubt as to the receiving of remittances from England."

Something had to be done. "It was decided to reduce the rate of pay from 9d per diem to 6d. and part of this was payable in corn." This helped, but there was still a cash flow problem: "Many companies felt a shortage of money for a time," notes Mr Langslow Cock, "but things soon righted themselves."

Despite the hiccup, Nigerian production rose steadily to a peak in 1943 of over 17,000 tons, declining to 11,200 tons in 1970, and continuing to fall throughout the decade.

The drop, according to Alhaji Rilwanu Lukman, the Camborne. Cornwall-trained general manager of the State owned Nigerian Mining Corporation (NMC) is due in part to the failure of the mining companies to invest in new plant and machinery—a situation the corporation itself is hoping to rectify.

The NMC, set up by the Nigerian Government in 1974, now holds around 60 per cent of the five mines: ATMN, Ex-Land Nigeria, Bisichi Jantar Nigeria, Kaduna Prospectors, and Gold and Base Metal Mines, as well as 21 per cent of the Makeri Smelting Company near the state capital of Jos, at which the ore is refined.

The Corporation is in the middle of a major overhaul of the industry. "Our idea is to rationalise the tin mining companies and improve profitability," says Alhaji Lukman. "We want to reduce overheads, and increase efficiency all round." In essence the plan is to bring all the companies, including the Makeri Smelter, under a single management structure.

Co-operation

The Federal Government, as the major shareholder in the new company, would take a proportionate responsibility for a capital injection of some N10-12m needed mainly for new plant and equipment. The exercise, which may be completed in late 1982, is going ahead with the co-operation of the minority shareholders.

"Who doesn't want to improve the efficiency of their company by reducing production costs?" asks David Dent-Young, manager of ATMN. "We would welcome rationalisation, and I see it as the only possible way of taking the Nigerian industry into a long term future." But he goes on to caution: "There has got to be a climate for investment in terms of the international tin price and prospects, and also in terms of investment in Nigeria."

He cites problems in obtaining spare parts, the bureaucratic difficulties of the import procedures, and delays in getting export licences for columbite (a by-product used in the electronics industry) with further delays in receipts in export payments for the mineral.

On prices at least there are encouraging signs. Tin reached an all-time high of £8,445 per tonne in September. But the 1981 average price will probably be just under £7,000, compared to £7,222 per tonne in 1980. Meanwhile, operating costs are rising, with the new minimum monthly wage of N125 pushing up the labour bill.

Michael Holman

Quentin Peel looks at the mixed results of enormous investment in infrastructure during the past decade

MASSIVE INVESTMENT in infrastructure in Nigeria over the past decade has produced very mixed results.

There have been notable, even dramatic, improvements in some areas, such as the national trunk road network, urban highways in Lagos, port capacity and international telecommunications. In other sectors, like internal telecommunications, huge spending programmes have yet to produce more than a marginal improvement.

Moreover, failure to provide adequate maintenance of the new projects embarked upon, and failure to coordinate schemes within and between different sectors, has often negated the potential benefits of the spending.

The continuing inadequacies of Nigeria's infrastructure, such as the often non-existent telephone system, erratic power and water supplies, unpredictable airline services and slow road and rail transport, constitute a critical bottleneck in the country's rapid economic development—second only to the shortage of skilled manpower.

Even where there has been a big expansion in capacity, such as in electricity generation, airline services, or telephone lines, it has been unable to keep pace with the growth in demand, and therefore unable to show any significant improvement in quality.

The power and transport sectors between them were allocated almost one-third of total public-sector capital spending under the Third National Development Plan, some N14bn, compared with 19 per cent for manufacturing and a bare 6.5 per cent for agriculture. Although spending fell short of the target by as much as one-third, the shortfall was greater for agriculture and manufacturing than for the major infrastructure projects.

The lack of coordination of spending plans also means that shortcomings of one area of communications can have drastic effects on attempted improvements in others. Thus the country's domestic airways network is put under enormous pressure because of the lack of alternative means of communications between major cities. Because businessmen cannot telephone each other, they are forced to send documents by courier, often on a daily basis. As a result, courier services have become a huge growth industry, and air travel is put under further pressure.

The inability of the railways network to carry more than a small proportion of heavy freight traffic means that it is forced back on the roads, leading to an abnormally rapid deterioration of road surfaces, and continued congestion.

The major infrastructure spending programmes of the 1970s have also left the Nigerian Government with continuing heavy commitments in the latest plan period, not least because of lengthy contract delays. The huge programme for new telephone exchanges throughout the country, for example, is now running five years behind schedule.

The delays are a reflection both of lack of co-ordination and simple lack of executive capacity: although virtually all the telephone exchange equipment is available, many of the buildings to house it have never been finished. Sometimes the contracts have never been awarded, and in other cases companies have gone bankrupt because they have not been paid.

The new Fourth National Development Plan maintains the very high priority for infrastructure spending. "Power, water supply and telecommunications . . . at present constitute serious bottlenecks to performance in almost all other sectors of the economy," according to the Plan Outline.

The total spending on transport is put at N6.6bn for 1981-85, N2.4bn on power supply (not including N1bn to be spent by the state governments on rural electrification), and N2bn on telecommunications, a total of N11bn out of the N40bn federal capital spending programme.

However, the plan recognises the critical need for better maintenance and efficient operation.

"The primary concern of the Federal Government in the area of transportation during the current plan period is the proper mangement and maintenance of the facilities already provided at very heavy costs," the plan says. "Expansion of facilities will be relatively modest."

Telecoms—a story of disaster

TELECOMMUNICATIONS IS a Nigerian disaster story. It is a tale of inadequate planning, poor co-ordination, weak management, financial incompetence and lack of maintenance, underpinned by allegations of widespread corruption.

More money has been spent on telecommunications with less to show for it, than arguably in any other area of public spending.

The lack of an efficient system of telephones or telex within the country is a major cause of economic dislocation. It is a direct factor in the inefficient operation of the banking system, where cheques from branches outside Lagos may take months to clear. It puts a huge extra burden on the domestic airline by compelling people to fly when they would otherwise telephone. It slows down virtually all transactions by days, if not weeks.

Although international telecommunications links have improved dramatically in recent years, and telephone links within Lagos are generally efficient and reliable, the picture for the rest of the country is dismal. In Port Harcourt, there are no telephone links to the town's new international airport. In virtually all the country's 19 state capitals, communications outside the main centre are erratic, infuriating and often non-existent.

Yet over the past decade, and particularly in the past six years, the Ministry of Communications has spent billions of naira on expanding the system. Between March 1975 and December 1977 alone, contracts totalling some N1.68bn (about £1.4bn) were awarded, covering telephone exchanges, switching equipment and external line plant, a domestic satellite system and an aerostat balloon system.

According to a progress report of December 1980, many of those contracts remained uncompleted, some of them unstarted, costs had risen enormously and Nigeria still lacked anything approaching an efficient telephone system.

By February 1981, the Ministry of Communications had contracts in progress worth N1.35bn, and faced claims from contractors for escalation of a further N208m.

In the present development plan, for 1981-85, postal and telecommunications services have together been allocated a further N2bn "to facilitate speedy implementation of a backlog of unaccomplished projects from the Third Plan, and meet the communications requirements of a rapidly expanding economy."

Yet according to one leading equipment supplier: "Their capacity right now is more than enough to fulfil all the requirements of Nigeria. It is simply old and needs regular maintenance. Their technicians are good. Their engineers are good. It is their management capability that is lacking. Their maintenance is disastrous because of that."

Another Lagos-based executive reported to his board: "The Nigerian Posts and Telecommunications (department of the Ministry of Communications) continues to fragment its suppliers, destroying any possibility for local manufacture, continuity of training and an effective telephone system."

What has happened is that planning has been completely unco-ordinated. "It is a gigantic plan, with no administration, no maintenance and no back-up," according to one contractor.

In some cases incompatible systems have been chosen, and subsequent modifications required (for example, between telephone exchanges ordered from ITT of the U.S. and the German group Siemens, the two biggest suppliers). In others, different systems have been chosen simultaneously to do the same task, thereby duplicating capacity.

Within a single project, the contract for a new telephone exchange may have been awarded, but the contract for the exchange building, or for the external line plant to subscribers, may have been forgotten.

Civil engineering contractors have frequently been unable to fulfil their contracts, either through sheer lack of executive capacity or because of irregular and delayed payments.

In the city of Kano, the old telephone exchange was installed by Britain's GEC in the early 1960s. A contract for the new exchange was awarded to ITT and the equipment delivered. But the building put up to house it by a local civil works contractor has been condemned as unsafe, and the equipment cannot be installed. There are now proposals to expand the old GEC exchange as a temporary measure.

Another problem has been excessive expansion. In Enugu, capital of Anambra state, a new exchange has been installed by Sweden's L. M. Ericsson with a capacity of 10,000 lines, in addition to the old exchange built by Britain's Plessey which has 6,000 lines. Yet there are now 12,000 lines still unconnected.

The main projects undertaken and still going on should have revolutionised the telephone system. They include:

- the aerostat balloon system to carry television, radio and telephone transmissions (original cost N153.4m, at a standstill);
- a domestic satellite system with 19 ground stations for television and eventually telephone transmission (cost N119m, largely completed);
- a coaxial cable from Lagos to Kaduna (just commissioned, cost N25m);
- about 200 telephone exchanges (cost N390m, running five years late);
- a national transmission network (contracts worth N330m, just awarded);
- exchange and transmission system for Abuja, the new federal capital (to be awarded).

According to the progress report of the Ministry of Communications, a string of reasons are given for the five-year delay on the telephone exchange programme. "Equipment installation is held up because of lack of buildings," is one common reason. "Action should be taken to award contracts for the conventional exchange buildings which are still outstanding," according to another exhortation.

Three of those major projects overlap in terms of the facilities provided: the aerostat system, the domestic satellite system and the terrestrial transmission network. All are supposed to carry domestic telephone communications. None is yet doing so.

The consequence of the disorganisation has been a huge backlog in the planned expansion of the system. The number of telephone lines available was supposed to expand from about 100,000 in 1975 to 750,000 in 1980, according to the Third National Development Plan. In the event, the present total is between 220,000 and 250,000. The intention of the new plan is to reach the more modest target of 611,550 by 1985.

The only major contracts awarded so far this year have been for the replacement of the national transmission system. This has resulted in considerable public debate, both as to the manner of awarding the contracts, and over the choice of the analogue system.

Five zones

Worth N330m, the project is divided into five zones, of which ITT has won two, Siemens two, and Marubeni of Japan, one.

Sources in the industry warn that, in spite of the cancellation of escalation clauses in the contracts, the project is likely to take three or four years to complete, rather than the 24 months allowed, and the eventual cost is likely to be nearer N500m because of poor specifications and hurried tendering. Tenders were called for in just 14 days.

The only area of Nigerian telecommunications which can report a success story is the international system, run by the parastatal Nigerian External Telecommunications (NET).

International telephone and telex links from Lagos have improved immeasurably in recent years, with about 120 satellite circuits to the UK, and most recently, the inauguration of the West African submarine cable linking Lagos to Abidjan, and from there to Dakar, Morocco and France.

International direct dialling is now available, although the demand is far greater than the available supply, and only 4,000 of Lagos' 65,000 subscribers are able to use it, after paying a flat charge of N200. It is possible to dial Nigeria from the U.S. but not in the opposite direction.

Nevertheless, NET has managed to keep ahead of the expansion of domestic telephone links, and provide the one ray of light in an otherwise gloomy scene.

Quentin Peel

How Indians put railways on the right lines

IN A country where the presence of expatriate managers is a matter of extreme sensitivity, a team of Indian railwaymen have found themselves in the peculiar and even embarrassing position of being called on to stay—by their own normally radical trade union.

Their contract to revitalise Nigeria Railways expires in September 1982 and there is vigorous debate over its renewal.

The National Union of Railwaymen was at pains to stress its own impeccable credentials in the field of Nigerianisation, when it took a two-page advertisement in the Lagos Daily Times to state its case.

"Patriotism of Railway Workers is unsurpassed by that of any other class of people in this country," the union declared. "We were in the vanguard of the struggle for the political and economic independence of our great country. We declare that our militancy and patriotism are unabatable."

The advertisement proceeded to cite the achievements of the union in removing expatriates from the top management of the Nigerian Railways Corporation: "Single-handedly and under the umbrella of the Nigeria Union of Railwaymen (Federated), we pitched a battle against this imperial domination.

But the string was in the tail: "All along, we had felt that 'the worst home rule is better than the most benevolent foreign rule.' Regrettably, subsequent events tend to negate this dictum and our hopes and aspirations are enigmatised."

The statement went on to call for the Rail India Technical and Economic Services (RITES) team, brought in to reorganise and revitalise Nigeria Railways two years ago, to have their contract extended, rather than hand over to Nigerian managers.

"The NUR believes that between now and the middle of 1982 there will be no Nigerians with requisite qualifications, experience, and the right attitude to work, to man the posts of director-general, directors, etc."

The advertisement, predictably, stirred up a furious political debate, not least between the union members and the railway's senior staff association. But it did constitute a remarkable tribute to the job done by the Indian team in putting Nigeria's moribund railway system back on its feet.

RITES took over in July 1979, with 35 men to run the railways' administration, and a further 400 as a task force of locomotive engineers, fitters, workshop maintenance men and technicians.

When they arrived, only 97 out of a locomotive fleet of 216 were working. Only 2,400 of some 7,000 wagons were serviceable, while one third of the 650 passenger coaches were out of commission.

According to the NUR: "In the 1970s, the climax was reached: salaries were not paid regularly, promotions were a thing of the past; it was regarded as a curse to be in the railway, and the morale of the staff was at the lowest ebb.

"Staff were leaving the corporation in thousands . . . What is worst is that the indigenous officers, instead of devoting their attention to finding a solution to the problems, were engaged in power tussles, scrambling for positions and infested with tribalism, corruption, nepotism and what have you."

In 1978, the corporation was loading only 65 wagons per day, and carrying only 800,000 tonnes of freight a year. The railways suffered frequent derailments because of poor maintenance of the track. Trains were leaving once a week, and even then were unreliable. There was no daily service to minor stations.

There were three main reasons for the decline: poor management, the destruction of the Nigerian civil war and a rapid changeover from steam to diesel locomotives without adequate technicians to service them.

There is little doubt about the transformation since RITES took over. There are now 192 out of 210 locomotives in action, with six cannibalised to provide spare parts. Some 400 kilometres of track have been rebuilt, with new sleepers and some 500,000 cubic metres of ballast produced by a railways quarry, mechanised for the purpose. Some 5,000 wagons and 500 coaches are now serviceable.

That technical job has been accomplished without any major investment, but rather by improvising with the equipment available. "We found N13m worth of spare parts lying in packing cases," says Mr Darba Hariram, the director of operations. "That was a gold mine, available immediately, so we started repairing right away."

Performance of the railways has improved enormously: 36 new daily services have been introduced with the same resources, and by the end of the year, loading should be running at 300 wagons per day, carrying some 3m tonnes of freight. The lines are carrying 1m passengers a month, against 400,000 in 1978, and every railway station has a train in each direction each day.

Between 1979 and 1980 there were major improvements in all operating statistics: passenger traffic was up 23.7 per cent from 8.6m to 10.6m; goods tonnage up 54.9 per cent from 1.13m tonnes to 1.75m tonnes;

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Containers line the quayside at Apapa's Third Wharf extension

Surge in container traffic satisfies even smugglers

THE UPSURGE in container traffic in Nigeria over the past decade appears to have satisfied two broad groups of customers who are otherwise bitter rivals: the legal traders and manufacturers and the smugglers.

On the one hand: container traffic has provided legal importers with a much more secure system than old general cargo practices: pilfering is substantially reduced (although there is always the danger that an entire container may be stolen). At the same time, the new system has provided the lucrative smuggling trade with an excellent means of bulk importing which can be kept from official surveillance with a modicum of bribery.

Whoever is happiest does not really matter to the handlers, for the traffic is undoubtedly soaring. From a modest beginning of 1,079 tonnes in 1968-69, container traffic reached 1.14m tonnes in 1979-80, and has surged again in the last 12 months. From the first year until 1976-77, the traffic redoubled every year, and since then has shown only slightly reduced growth.

The most specialised container-handling facilities are provided at the Third Apapa Wharf Extension in the Lagos port complex, where nearly two-thirds of the total quay length of 1,600 metres is set aside for the traffic, with a double-end roll-on roll-off (RoRo) berth. The wharf can handle 330,000 20-foot containers a year, or some 4m tonnes of cargo, and is equipped with specialised container gantries to transfer the boxes to rail trucks.

None of the other Nigerian ports are as well equipped, although all now have extensive stacking areas set aside and *fork-lift trucks capable of* handling both 20-foot and 40-foot containers.

The Nigerian Ports Authority has brought in an outside company, Container Consultants Nigeria (CCN—formerly the Container Terminal Company) to handle the traffic at Apapa and Port Harcourt. It also operates the Lily Pond depot at Igunma, which has over 103,000 square metres of stacking area.

Bitter opposition

The upsurge in container traffic has *provided lucrative* new business for Nigeria Railways, although only in the past two years has that organisation been capable of handling it.

The biggest single traffic consists of 1,200 containers a month of CKD (knocked-down) kits for the Peugeot assembly plant at Kaduna. Before 1979, the traffic constituted the worlds largest air-freight contract, with the kits being flown direct from Lyons to Kaduna on 20 Boeing 707 flights each week by the French airline, UTA.

However, the then military regime insisted that Peugeot switch to sea and rail routes, to reduce the cost of the imported kits, in the face of bitter opposition from the company. In spite of the occasional skirmish since then, the railways have managed to carry the traffic without disruption.

The next most important rail route for containers is direct from Lagos to Kano, where there is a container terminal complete with bonded warehouse.

That operation, run with the railways by Inland Containers (Nigeria) Limited (ICNL)—a company jointly owned by the National Insurance Corporation of Nigeria (NICON), Ocean Transport and Trading of Liverpool, and a Nigerian businessman—has proved a considerable success. Traffic on *the route, has risen from 93* containers last February to 427 in September, and the Kano terminal is to be expanded from eight acres to 12.

An identical operation is *shortly to start between Lagos* and Kaduna, where a new container terminal should open in January or February, and where goods for the new federal capital at Abuja should provide a steady income.

Kano is already the largest inland container port in black Africa, and the service which means containers can be taken through customs in the north, rather than suffer considerable delays in Lagos, is popular with northern importers.

"Containerisation into West Africa can only grow," Mr Aiden Bristow, managing director of ICNL, says, "because despite the difficulties of smuggling, the container is with us for good. Everybody has geared up to work with them."

Quentin Peel

Ports aim to keep ahead of demand

THE PORT at Calabar boasts Nigeria's newest harbour facilities, 860 metres of straight berth, capable of taking five vessels at a time, three transit sheds for import cargo and two warehouses *for exports. Built* at a cost of N89m, it was opened just two years ago.

The port official was enthusing about the facilities as we headed down to the docks: "I think a ship has just come in," he said. "You'll see how we work here."

As we swung on to the quayside, the full extent of his disappointment was apparent. It was deserted, except for a random stack of containers, not a ship in sight, nor even a fork-lift truck. "It must have gone very quickly," he said apologetically.

Calabar is a far cry from the Lagos ports of Apapa and Tin Can Island, where business is brisk, and spare berths can rarely be seen. But it is symptomatic of the transformation of Nigeria's docks from appalling congestion six years ago to excess capacity today, even with a roaring *import trade.*

The new port was planned in the early 1970s as an alternative to Port Harcourt in neighbouring Rivers State, to serve the busy commercial states *of Imo and Anambra*, and the north-eastern states of Borno, Gongola, Bauchi and Plateau, as well as its own hinterland of Cross River State.

The contract was awarded in *1976*, when the Nigerian Ports Authority (NPA) was still in the throes of congestion which at its peak kept ships waiting for six months to unload, and cost the economy an estimated N7bn.

Yet today the port is struggling to justify its existence and will be lucky to attract 400,000 tonnes of cargo this year, when it could *handle 1m tonnes.* Shipping lines are offering discounts for any cargo which chooses it as a destination and the NPA has launched a big publicity campaign to drum up more business.

The ports authority is a rare example of a public corporation which has actually managed to get ahead of the rapid growth of the Nigerian economy. In the 1970s total traffic through Nigerian ports grew by more than 170 per cent, from 7.3m tonnes to more than 20m tonnes in 1978-79. The increase was entirely due to rocketing imports, up almost 290 per cent from 4.5m tonnes to 17.4m tonnes, whereas exports actually fell from 2.8m to 2.3m tonnes in 1979-80.

The former military government embarked on a N2bn expansion programme in the ports which is still going on today to cope with the traffic.

Bigger pay-offs

The two principal developments were at Lagos: Tin Can Island port was built at a cost of N190m, with a quay length of 2,500 metres capable of handling 15 to 20 vessels at a time, and with two roll-on roll-off (RoRo) berths. The third Apapa wharf extension, including modern container handling facilities, was completed in 1979 at a cost of N80m.

Apart from Calabar, the other major port development was at Warri, boom town of the oil industry and of Nigeria's infant steel industry. The new port cost N88m and provides six main line berth, one Ro/Ro berth, and a service berth.

Although Warri is still underutilised, it has done better than Calabar. It is the site of the Shell oil company's western division headquarters, a refinery built by the Nigeria National Petroleum Corporation (NNPC), and three miles upstream the Aladja steel plant is nearing completion, this is likely to guarantee good use in the future.

Two further new ports are still under construction: At Sapele in the Delta complex a six-berth port costing N110m is scheduled for commissioning in March 1982, which could give *additional port capacity for the* Aladja steel plant.

At Onne near Port Harcourt, a major new deep water port to be known as the Federal Ocean Terminal, has just ben started. At a cost of N130m—eventually perhaps nearer N200m—it will provide six deep-water berths for ships of up to 55,000 tonnes; primarily to provide capacity *for the massive Ajaokuta steel* plant being built on the Niger river with Soviet technology.

The new Fourth National Development Plan provides for a total of N360m to be spent on further port developments up to 1985, with N150m to come from the NPA, but the emphasis will be mainly on completing ports already started and continuing to modernise those in operation.

Although the plan talks of a deep sea port to serve the whole of West and Central Africa, it is unlikely to be finalised within the plan period.

Quentin Peel

The Indian influence

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and the daily average of wagons loaded up from 130 to 187.

At the same time, *RITES has* launched a big training programme: 2,500 men have been trained in the field, at work centres; another 400 have been sent on courses to India: and a National Institute of Transport Technology is being built at Zaria.

The revitalisation of the service has coincided with a clear shift of emphasis in the Government's development plan to promote rail transport on a par with road haulage. Moreover, the railways corporation is now operating at virtually full capacity with the equipment available, and is embarking on a major buying programme.

"We have come to a stage where we are smothered with traffic, and we urgently need additional rolling stock," Mr Hariram said. "We have squeezed our equipment to the maximum."

Nigeria Railways is about to place an order for 300 passenger coaches, worth some N36m. It also has a programme to buy 1,000 wagons at a cost of between N35m and N40m. Half of them will have sliding roofs to handle bulk commodities in bags.

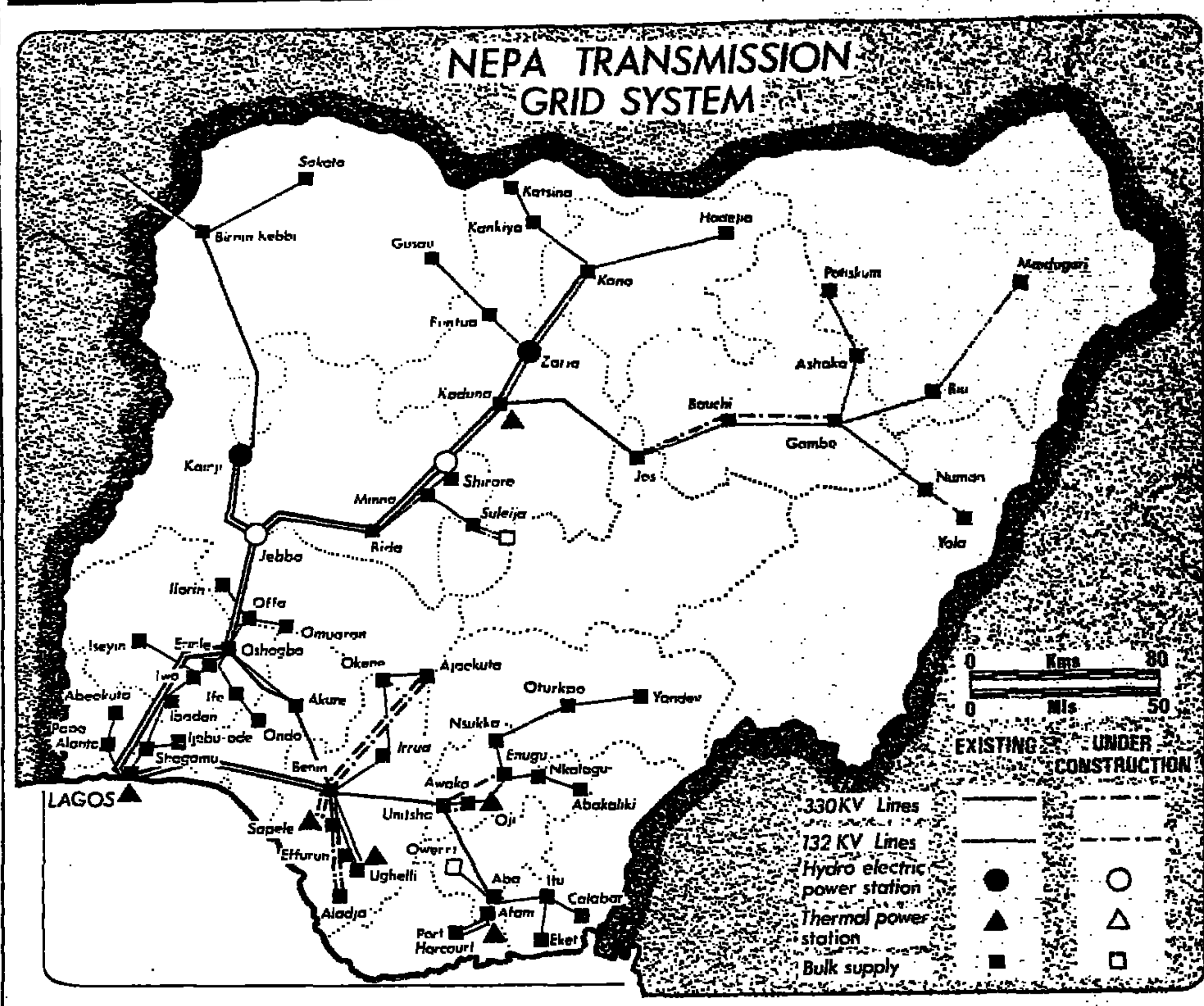
Where necessary, old wagons hav already been converted to new forms of traffic: some have simply had their sides cut off to become flat wagons for container traffic. Other oil wagons have had heating elements installed to carry heavy waxes from the oil refinery at Kaduna.

The railway system is likely to be called on *to play a growing* role in Nigeria's economic development. The biggest project is the construction of a standard gauge railway (the present system is narrow gauge) from Port Harcourt to the steel plant being built at Ajaokuta, for which N1.2bn has been allocated during the plan period.

Tenders were put out some *time ago for the scheme, divided* into six sections and the selection of contractors is expected shortly. Both Indian and Brazilian companies are believed to be favoured, as well as a French-led consortium. Because of the uncertainty over the Government's future oil revenues, the project is one for which substantial foreign finance will be sought.

Another major related project is for a rapid transit system in the capital, Lagos. A Japanese consortium has been awarded a contract for the N350m first *phase, but work has yet to start.*

Quentin Peel



Lust for power leaves consumers in the dark

The National Electric Power Authority is the most efficient national corporation in our country, declared the Minister for Mines and Power, Mohammed Ibrahim Hassan earlier this year. "It is wholly run by Nigerians who have the initiative to meet consumers' demand at any given time of our commercial, social and industrial development."

Few Nigerians would agree with him. Most industries in the country have their own generators which cut in on the frequent occasions power is interrupted, as do the homes and flats of the well-off. The problem in Ikeja, the industrial area of Lagos, is chronic. In 1980, notes Cadbury's in its annual report, NEPA provided only 37.5 per cent of our total power usage, the balance of 62.5 per cent coming from our own generators. The present intermittent supply is not only inconvenient but also results in unacceptably expensive extra wear and tear on plant and machinery.

Beleaguered public relations officials at the Authority have the unenviable task of keeping angry consumers at bay while attempting to justify the Minister's *extraordinary claim*. Yet it is nevertheless possible to sympathise with NEPA's problems.

Soaring demand

Nigeria's rapid oil-led growth over the past decade has been marked by soaring demand for electrical power. There can be few, if any, countries in the world in which generating capacity has trebled in seven years. But expansion has taken place under trying circumstances.

Development of towns, suburbs and industrial areas has been haphazard. Small industries spring up in residential areas, thus overloading cables and transformers. Power lines are illegally tapped, with the same result, and frequently NEPA is not informed about new power-consuming projects until the last minute.

Given these and other problems, such as a serious shorage of engineers, is uninterrupted power possible? Mr Lawrence Amu, head of the engineering division of NEPA before his transfer to the Nigerian National Petroleum Corporation, offered consumers little comfort. "If in the next 10 years we can completely plan, zone and develop our urban and rural areas and plough in enough money, yes, it will be possible. Since however it is certain that these conditions will not be met, the answer is no."

But the power system will continue to improve, he said, and the Government is committed to a huge N2.4bn expansion programme over the 1981-1985 period of the Development Plan. The target is additional generation of about 3,000MW by 1985, when total installed generating capacity will be about 4,600MW.

A major proportion of the increase will come from the hydroelectric plants at Jebba and Shiroro which between them will have a capacity of 1,140MW. Completion is set for 1984.

Increasing use will be made of the country's huge gas reserves. Sapele is the largest thermal power station. The first unit was commissioned in September 1978, and all six 120MW units are now installed, with the last switched on in September 1980. Additional units will raise the capacity of the station, which uses natural gas pumped from the Sapele West field five miles away, by 300MW, bringing total installed capacity to 1020 MW by the end of this year.

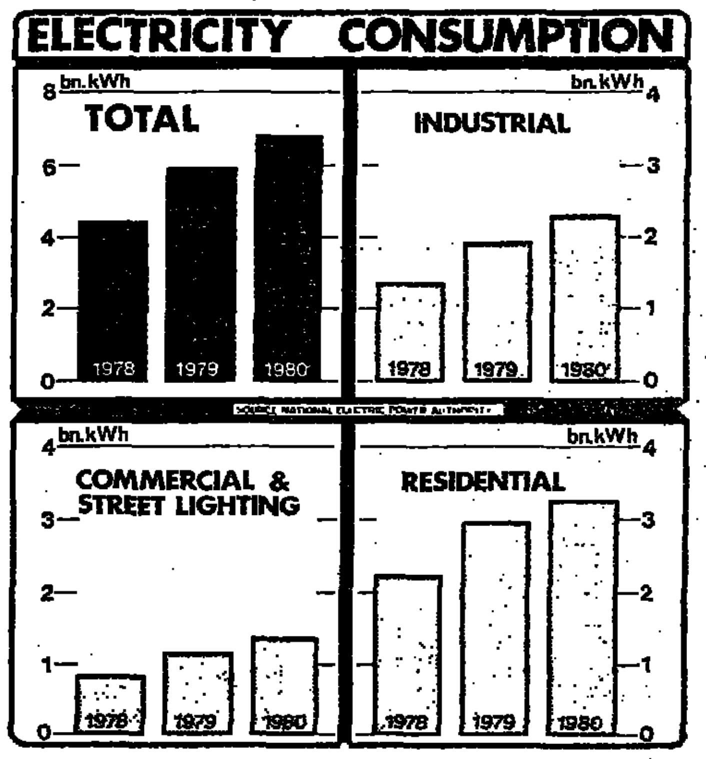
Troubled mines

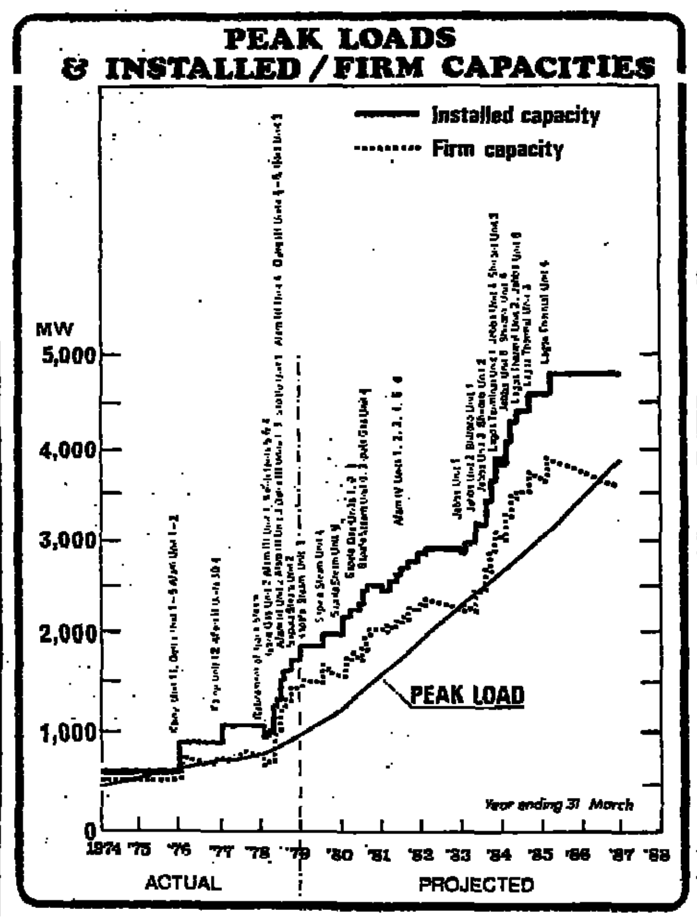
NEPA is planning a 1200MW Lagos thermal plant, in addition to a new Afam IV 450MW station. Another thermal generating station is to be built, using residual oil from the Kaduna refinery.

Coal-fired plants proposed include a 600MW project whose site is yet to be determined, and the reconstruction of Oji River Power Station to twice its present 30MW capacity. But there remain doubts about the capacity of Nigeria's troubled coal mines to meet the demands of these plants.

The rural electrification programme is allocated N1bn under the plan, with state governments providing an additional N1.1bn.

Michael Holman





Airline's major problem is coping with growth

THE CHECK-IN desks in the new international airport terminal at Port Harcourt are strangely deserted to anyone familiar with air travel in Nigeria. The normal crowds of shouting, jostling passengers and ticket touts fighting for a chance of a seat on the next flight are gone.

Even on the tarmac where, at other airports, there may be a mad rush for the aircraft steps, the passengers queue in an orderly line for their boarding cards to be checked.

The contrast between the old and the new is total: 10 miles away, the primitive old terminal building at the original Port Harcourt airport is rapidly being reclaimed by the bush. The runway is now used only by the Nigerian Air Force, and weeds are pushing up between the concrete slabs.

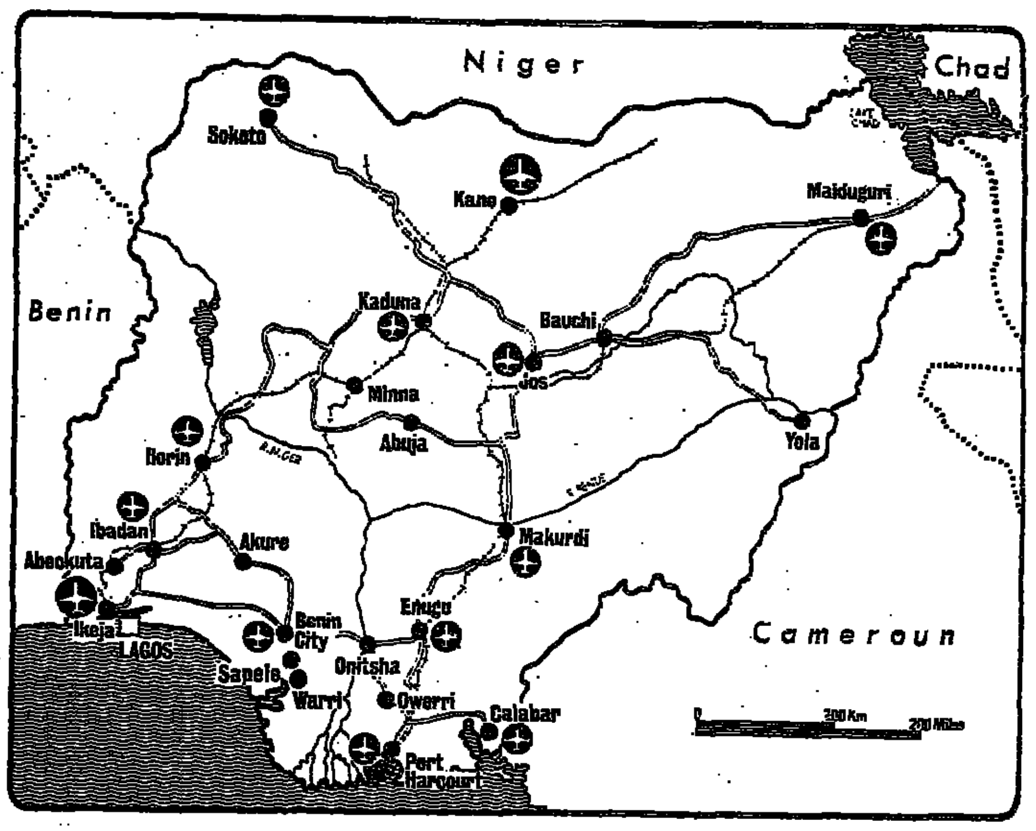
Port Harcourt used to have the reputation of being the worst organised airport in the country, where an OK reservation was no guarantee of a seat, boarding cards were sold to the highest bidder, and even then it was a free-for-all to grab a seat on the aircraft.

At the new terminal you cannot even enter the departure building without an OK ticket: a burly security guard will stop you at the door. Standby passengers are each given a number, and they have to wait outside until their number is called.

It is a drastic system introduced three months ago by the new station manager, but it seems to work. The ticket touts, who used to operate a lucrative trade as the intermediaries in buying boarding cards for passengers, have at least, temporarily been put out of business.

Air travel in Nigeria needs drastic solutions. It has undergone an unprecedented explosion in recent years, against a background of hopelessly inadequate infrastructure, poor organisation, and ill-trained staff. As a result, it can produce all too often a bruising experience for the unwary traveller.

Nigeria Airways, the national carrier, which enjoys a monopoly on domestic routes, describes itself as the fastest growing major airline in the world with a 52 per cent increase in scheduled tonne-kilometres in 1980. This year it will carry some 3m passengers, compared with under 2m last year. Domestic traffic has virtually doubled in the past two years. International traffic, with other operators such as British Caledonian and Pan Am, is up 80 per cent since 1978.



Strained

As a result, the airline's capacity, and that of the country's airports, has been strained to the limit. In spite of a major expansion programme the airways' load factor on domestic routes is now touching 80 per cent. This means that if one aircraft is out of service, it can cause widespread and prolonged disruption.

Two years ago KLM, the Dutch airline, was called in by the then military government to sort out the problems of Nigeria Airways. The contract was awarded unilaterally—KLM had never heard of the job until it was publicly announced. Then it was too late to refuse.

"We were called in as an emergency measure," Mr Karel-Bram Steller, the airline's director of field services, says. "Our job was to improve quality, so that people did not have to pay for boarding cards, could get a smile from cabin staff, and did not get a slap in the face from traffic staff—that used to be quite normal.

"In the event, our main problem has been coping with growth. Any company that has to expand by 50 per cent a year has a growth problem. We have had to grow like that from a disastrous situation.

"We pride ourselves that we have been able to cope with growth. We also believe we could have made a better mark on quality if we had had more time."

The KLM management is leaving at the end of the year—a government decision widely recognised as being political rather than practical—because of the embarrassment of having foreign operators running the national flag carrier.

"Two years is too short a time to have a real impact," says says Mr Jan Smit, the outgoing managing director. "Three months after we arrived we told the Government we could only hope to achieve something lasting if the contract ran four or five years. But politically they could not commit themselves."

The other problem has been persuading the public there has been an improvement. It is most noticeable on international flights—in 1979 one flight in five left on time. Today, the figure is nearer three in five flights. There are also fewer cancellations, and service from staff is much friendlier than it used to be. But the airline was still bitterly criticised by members of the national assembly in a recent debate on whether to allow a commercial airline to compete on domestic routes.

However, others are prepared to admit to considerable progress. Mr Les Boothright, general manager of IMNL, one of the air courier services operating in Nigeria, says it is "just magic, compared to what it was. Management has improved, punctuality and cabin staff. Issuing boarding passes is much better than it was."

Two major developments have helped—a string of new or expanded airports, of which Port Harcourt is one, have been commissioned, and the airline has made a big effort to expand and modernise its fleet.

"Our traffic has been growing fast enough to justify buying a new Boeing 737 every three months," Mr Smit says. Because of the problem of finding finance and ordering aircraft quickly enough, the airline currently has five 737s on lease, and two more expected, as well as a DC-10 on its international routes, in addition to its own fleet.

In the past year the airline has phased its Fokker F27 aircraft out of service, to be replaced by the 737 as its workhorse on domestic routes. Eight such aircraft have been ordered for delivery next year, and purchase of the first four is to be financed by domestic banks in Nigeria. It also has eight Fokker F28s on domestic routes.

Larger aicraft include two Boeing 727s, three 707s, and two DC-10s. Four Airbus A-310s have been ordered for delivery in 1983 and 1984, and the airline is currently agonising about buying two Boeing 747s—which it needs as early as next April. The problem is that the Government has yet to approve the finance.

Confusion

The airline's accounts remain in a state of considerable confusion. It boasts an extraordinary debt-equity ratio, with an issued share capital of just N3m and outstanding loans of N138m. The KLM team proposed a comprehensive restructuring, but it has also yet to be approved, which means that the airline will continue to suffer a crippling debt burden, especially after the latest purchases. The airline has also been refused five successive applications for fare increases.

There is growing pressure, including that of politicians, for the Nigeria Airways monopoly on domestic routes to be broken, allowing a rival commercial operation. The House of Representatives passed a motion in September approving such a move—and the Ministry of Aviation has advertised for proposals on how to improve domestic services. British Airways, among others, is believed to have expressed an interest.

If any new airline comes in, it will face the same major infrastructure problems—non-existent telephone and telex links between airports, random fuel supplies and frequent power cuts. Nigeria Airways also argues that any rival must provide services on loss-making as well as profitable routes—and that the state airline be allowed to pay wages above the present civil service limits.

The commissioning of a number of airport modernisation and expansion schemes has made a difference to domestic travel. New buildings and bigger runways, capable of handling wide-bodied aircraft, have been completed at five state capitals, in addition to the handsome international terminal at Lagos Murtala Muhammed airport. Building is still under way at five more.

Quentin Peel

He who would valiant be...

THE HAJJ, or annual pilgrimage to Mecca, must rank as the largest organised airlift of people undertaken by airline operators every year. Hundreds of thousands of pilgrims fly into Jeddah over a period of little more than two weeks (this year in September) and fly back a fortnight later.

In Nigeria, it means that for days on end the airports become the temporary homes of intending pilgrims, camping out in makeshift shelters or wandering disconsolately through the airport buildings in the hope of a seat on the charter flights.

Tickets to Jeddah can change hands for N200 or N300 over the scheduled price, and in former years, astute businessmen were known to make huge profits from chartering a single aircraft.

The whole operation was carried out by Nigerian Airways this year, which chartered five Boeing 747s and two DC-10s to move an estimated 86,000 pilgrims from five main airports. Only Pakistan and Indonesia send similar numbers to Mecca, and this year Nigeria was probably the largest.

In spite of the effort, several thousand would-be pilgrims were left behind, causing a minor political storm, discussions in Cabinet, and numerous representations from senior ministers to the airways management. The problem was that many pilgrims arrived late at the airports, and the first flights left for Jeddah half full. On top of that, the numbers kept rising.

"Originally we were catering for 75,000. They then asked for 81,000, and in the end it was 86,000," said Mr Jan Smit, the managing director of the airline. "We extended the flights until the day they closed Jeddah airport, but we still could not move everybody."

But the fate of a stranded pilgrim in 1981 is better than it used to be. There are believed to be thousands of Nigerians still living in Sudan, half-way home on the overland route from the pilgrimages of former years.

Expansion caused by imports rise

THE GROWTH of the imports market has brought an expansion of air freight services, both for scheduled carriers and charter operators, and led to the growth of special courier services.

British Caledonian and Nigeria Airways, each with ten DC-10 scheduled flights weekly from London to Lagos and return, have a combined capacity of about 320 tonnes a week each way. There are other carriers with cargo capacity from different European centres—Alitalia, KLM, Lufthansa, Sabena, SAS, Swissair and UTA, for example.

British Caledonian and Nigeria Airways also operate exclusively air freight services. These two lines have a weekly Boeing 707 service.

The rates depend on the mileage and are controlled by agreements within the International Air Transport Association. But there are lines—Balkan, Aeroflot, Interflug and Iberia—operating outside the IATA framework.

Operators say that the scheduled carrier rates are little different from the charter operators like German Cargo, Cargolux, Tradewinds and Flying Tiger. In all, the charter operators are carrying about 600 tonnes of freight into Lagos.

The great problem for all operators is that the cargo flow is essentially one way. Rates have to reflect this, in the same way as the tariffs of shipping lines. While it might be possible to fill a Boeing 747 freighter going from London to Lagos, traffic in the reverse direction is scanty.

The problem for users of air freight services is that it is still necessary to come to terms with the inadequate internal communications network. This explains the rise—especially over the past year—of the courier services, collecting goods, spare parts and documents within Europe and supervising their delivery direct to the customer in Nigeria.

The biggest of the courier companies, in terms of activity within Nigeria related to its international network, is probably International Messengers (IML) a British group, which uses mainly British Caledonian to move goods into Lagos, and Nigeria Airways to move them around Nigeria. The London-based DHL has also recently signed an agreement with Nigeria Airways for a jointly operated courier service within the country.

Nigeria's population is expanding but life expectancy remains low because basic amenities such as safe water and essential health care are in short supply. Education programmes can help swing the balance but here too there are obstacles.

SOLID DEMOGRAPHIC data on Nigeria is practically non-existent. Successive censuses have been thrown out over the years following emotionally-charged political rows. Present population figures are based on a population study done in the 60s which presumes a growth rate of 2.5 per cent per year.

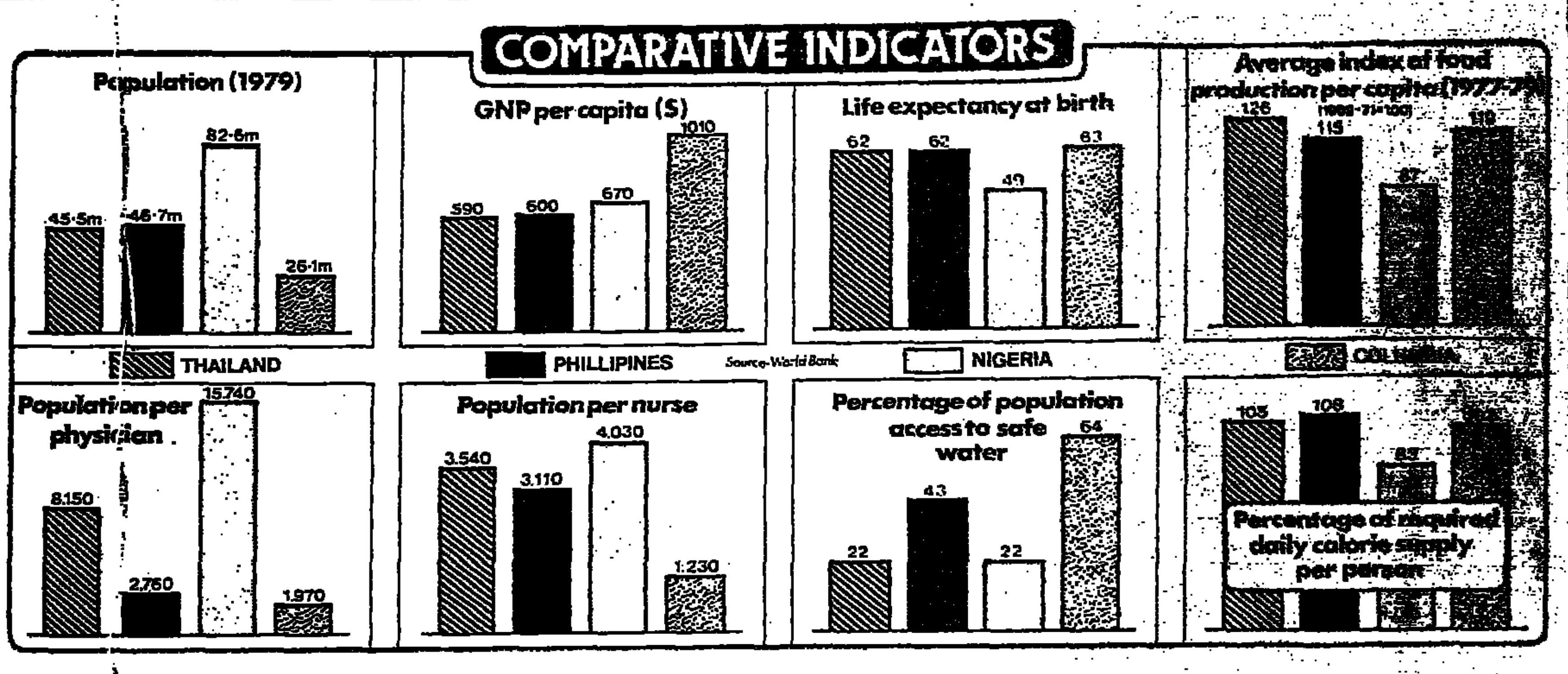
However, mortality rates have been declining, along with infant mortality rates, and observers now estimate that Nigeria's population is expanding at a faster rate, perhaps at some 3 per cent a year.

Recent figures on Lagos state, compiled by state health officials, give some backing to these assumptions. More vividly, however, they highlight the rush to the cities which has resulted in swollen, overstretched urban centres throughout Nigeria.

The study states that the rate of population growth in the Lagos metropolitan area has been in excess of 9 per cent per annum in recent years, resulting in an additional 300,000 people per year.

By 1985, the study estimates that *Lagos state's population will jump from 4.7m to more than 7m.* At present, 88 per cent of the state's population *lives in metropolitan Lagos.*

The average population density for Nigeria is about 85 people per square kilometre. Lagos state has a density of more than 15 times that number, with 1,308 people per square kilometre. In the built-up urban areas in metropolitan Lagos, the study reports that average density is 20,000 people per square kilometre.



Sorry state of health care aggravated by poor nutrition

ANY LOOK at health care in Nigeria has to be a brief one—there is not much to see. Throughout the country, lush fields of weeds sprout signs which stake out the site of a state maternity hospital, a medical training facility or a local health clinic. To date, most of the sites remain empty as the delivery of health care services in Nigeria remain firmly in the back seat of the country's overall development drive.

Health care statistics, like those of many countries in West Africa, are horrific. About one in five Nigerians has access to *safe water. Life expectancy* at birth, 49 years, is on a par with Bangladesh and lower than Pakistan and Haiti. Infant *mortality rate per thousand is* estimated at around 70 in Lagos and as high as 150 in rural areas.

Latest government statistics (1977-78) state that Nigeria has a total of 58,809 hospital beds, or 0.749 beds per thousand people. The largest concentration of these beds, in Lagos state, is just a few blocks from Tinubu Square in downtown Lagos. This cluster of crumbling, dusty buildings include the general hospital, a decaying pathology building and a gloomy, multi-storey block housing the maternity hospital. A visit to this complex is not for the faint-hearted.

Doctors at the maternity *hospital—the largest in Lagos* state—estimate that some 80 children are born there each week, a tiny proportion of total *births as most Nigerian women* give birth at home. However, the hospital serves as an emergency facility for complicated *births* and, as a result, doctors are faced with women who are often beyond help.

In the last three months of 1980, 79 maternal deaths were recorded. Infant mortality figures were not available, but were estimated at about 60 for the same period. In the case of maternal deaths, doctors agree that proper pre-natal care would reduce their numbers dramatically.

Frustration

"In my home country, my teacher would have seen one ruptured uterus in a year. Here I see it every week," said a training doctor from Asia. In the Lagos maternity hospital, foreign-trained medical staff outnumber the local doctors. Most of these doctors are from India, Pakistan or the Philippines. They earn N500 per month plus living expenses. But they say the frustration of working in Nigeria rivals the low pay.

"I can come to work and find there isn't enough steam for the *autoclave, so there's no clean* linen and I can't operate. Other days, the anaesthetist will tell *me that* we are out of the necessary drugs," said one of the doctors.

Infection at the hospital is a major headache for the doctors. "Procedures *for* sterilisation are primitive," said one of the foreign doctors. "Our water isn't dependable and drugs are in short supply. Several times I've had to ask a relative to find a necessary drug on the street."

A first-year medical prac*titioner in Aba, in* Imo state, was more graphic: "When you see a child die for simple lack of oxygen, you kind of give up."

Although Government-sponsored health care is free in Nigeria, the Government is unable to match private practice salaries. For example, the top salary for a Government physician is N7,000. The average physician at a private clinic earns double. As the Nigerian medical qualification is equivalent to the U.S. or UK degree, the flight is not just to private clinics, but overseas as well.

The bulk of Government spending on health care so far has been on training. At present, 13 teaching hospitals absorb 40 per cent of the national expenditure on health care. Unfortunately hundreds of these doctors, once trained, leave *Nigeria for less frustrating* and more lucrative ground. "Even the most committed doctor finds it hard to stay here when the ability to dispense his training is so seriously hindered," said the young doctor in Aba.

It is not surprising, therefore, that Nigeria's poor health conditions have not improved in recent years. In a 1980 study, the United Nations Fund for Population Activities (UNFPA) stated that Nigeria's health status was "very poor" with largely preventable and communicable diseases accounting for the high levels of mortality.

Access

The scarce statistics available show that malaria is a major cause of death, followed by dysentery and measles. Cholera is still prevalent and although death from cholera can be prevented by swift medical treatment, most of those who die have no access to health facilities. Still, the UNFPA study concludes that of all the major causes of sickness and death, the main one prevailing is the poor level of nutrition in Nigeria.

In 1977, the UN's Food and Agricultural Organisation listed Nigeria as among the 13 nations facing the most serious problem of adequate food in the world. A recent World Bank study states that the situation has not improved since 1977 and there is some sentiment that it might have worsened.

Further, the growing practice of bottle feeding, especially in *urban areas, has become a* principal cause of malnutrition. A study cited by the World Bank found that nearly 75 per *cent of the mothers surveyed* had introduced bottle feeding in their child's first month. Of these, only one-third read the *instructions on the milk-tin and* only 55 per cent sterilised the bottle properly.

Medical experts agree that Nigeria's most life-threatening problem after nutrition is inadequate water supplies. Where pipe-borne water is available, its quality is generally poor. In Lagos, about 30 per cent of the pipe-borne water comes from the ground and is subject to pollution from septic tanks and pit latrines.

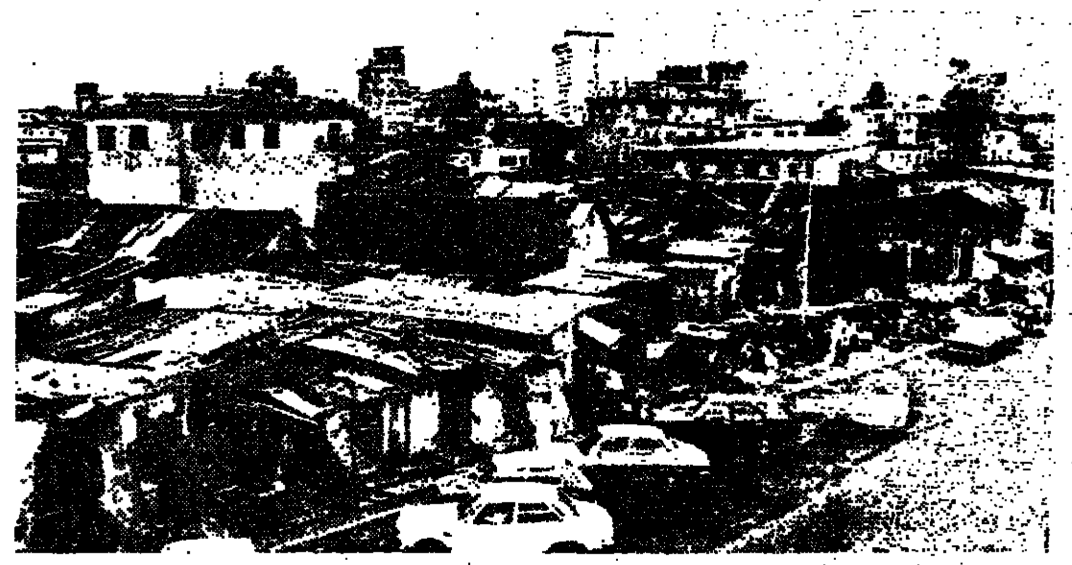
The Federal Government plans to introduce modern water-borne sewage disposal systems in all towns, but at present no town is adequately served and pit latrine and pail systems are most common. Refuse collection is poorly organised in most cities and non-existent in the rural areas.

The amount of money in the fourth national development plan (1981-85) for health care —N1.2bn—is less than 3 per cent of the total and the smallest total *allocation.* As in education, the fourth plan shifts much of the administration of health care plans to state and local governments. The Federal Government's input would be promotion and include the training of personnel and setting of standards. The states, however, will be required to build health clinics and centres "as appropriate."

Given the sorry state of state financing, the future of health care development is blurry. President Shehu Shagari told a physicians' conference in September that primary health care remains the cornerstone of Nigeria's national health policy. He then gave an indication of the speed of that policy by saying that the country's target date for "health for all" is the year 2000.

In the meantime, Nigeria's health care will remain a two tier system—private clinics or overseas care for those with the money and scarce, over-stretched government facilities for those without.

Carla Rapoport


New buildings start to rise above the shantylike housing of the old quarter of Lagos

School building continues apace despite financing worries. This one is at Victoria Island, Lagos

Education switch may prove a harsh lesson

FOR FIVE years the Nigerian Government had been pumping millions of naira into primary education under the banner and providing a free elementary education to all Nigerian children. Earlier this year, the money stopped flowing. As planned the administration and costs of this vast programme have been kicked into the state and local government's court.

The Government's intention is to replace its direct payments to Nigeria's primary schools with increased federal allocations to each state. The state revenue allocation act, however, is in a shambles, having been struck down by the Supreme Court in September. On top of this confusion is the bald fact that most states have well over-spent their 1981 budgets.

As a result, when the 1981-82 school term started in September, hundreds of teachers reporting for work throughout Nigeria had not been fully paid for the previous term's work. In some states, school fees have been instituted to enable the payment of teachers.

Nonetheless, federal government planners are proceeding with further education programmes for the nation. Allocating nothing to primary education, the fourth national development plan (1981-85) earmarks N5.5bn, or 5.5 per cent of the projected national capital spending for projects aimed at boosting secondary, technical and higher education in Nigeria.

Educationalists agree that these programmes are well-conceived and suited to Nigeria because of their strong emphasis on technical and vocational training. However, with the first statistics on the Universal Primary Education scheme (UPE) now trickling in, and its future funding now uncertain, many educationalists are fearful that the move to more advanced education programmes will prove a precipitous one.

Preliminary statistics from the Federal Ministry of Education show that enrolment in primary education surged from 3.5m in 1970 to 9.5m at the start of UPE in 1976 and leapt again to 13m by 1980. The statistics also show, however, that children are not sticking to the classrooms as planned.

Original projections for UPE assumed that 94.1 per cent of the children enrolled in the first year of the scheme would reach grade four. This projection was then revised twice, with 1978 studies expecting 85.7 per cent of the children to be at their books by age nine. Preliminary figures now show that only 71 per cent remained at school, with the highest drop-out rate between grade one and two. The survival rate of children enrolled before UPE was launched (1968-74) was nearly 70 per cent.

Like all statistics in Nigeria, these need to be taken with a fair dose of salt. Until this year, schools were funded by direct payments from the Federal Government based on the number of children they had enrolled. As might be expected, enrolment figures were commonly inflated, which in turn, inflated drop-out rates. Experts believe that the real drop-out rate is closer to 25 per cent — none the less a worrying rate of attrition.

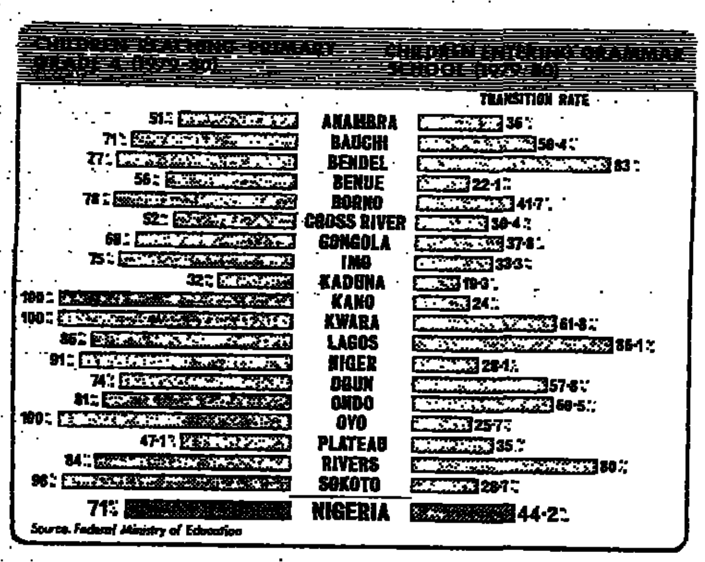
For most Nigerians, these figures will not cause much surprise. From its inception, the UPE programme has been plagued by its own ambitious goals. Children were enrolled at a much faster rate than teachers could be trained to teach them. In many states, children finishing primary form six were hastily pressed into service to teach primary form one.

As a result, the fall in the average quality of education has been dramatic.

Educationists estimate that nearly two-thirds of Nigeria's teachers are not fully qualified. "Our country couldn't come near filling the requirements for teacher training," says the young headmistress of a teachers' college in Imo State. "Like in so many other things, we are running to catch up." In many schools, books and materials are in short supply and these problems are becoming more chronic as funding is now unstable.

Still, the low, shed-like wooden school buildings sprouting around the country made Western-style education available for the first time in many areas, mostly the north, where missionary schools had not penetrated. In Sokoto, for instance, school enrolment of the six-year-old population shot up from 5 per cent to 42 per cent.

"The phenomena of UPE is the phenomena of the North," says a long-time educationist who works for Unesco, which aids the Government in its educational planning. For many Nigerians living in the North, the UPE programme introduced the idea that a Western education could be a helpful addition to Koranic learning.



Source: Federal Ministry of Education

As the bar chart shows, however, students in the northern states — Kaduna, Kano and Sokoto in particular — are among the least likely to advance to secondary school. In response, education officials explain that the main purpose of UPE is to expose the largest number of children to some education, rather than reserve all the education for a limited number of students.

So, with primary education now in the hands of the state and local government, federal education planners are planning a complete overhaul of Nigeria's educational structure. As of September 1982, the old British system of grammar schools will be thrown out and replaced with the American system of junior high school and senior high schools.

In the junior secondary school, the student would have the option of studying woodwork, mechanics, business studies, electronics or other similar pre-vocational subjects. But once again, the ambitious nature of the programme is daunting.

The Ministry of Education estimates that by 1985, the country will need an additional 30,000 teachers for these pre-vocational subjects. At present, the total number of teachers in the country instructing the first three years of secondary students is 47,000. Still, the Government assumes a 70 per cent transition rate from primary to secondary schools. With the preliminary figures for 1980 showing a national transition rate of only 45 per cent, the crunch at the secondary level may not be nearly so severe.

At university level, Nigeria has absolutely no transition problem. Higher education is a sought-after prize, usually guaranteeing a job in the small, but growing ranks of Nigerian professionals, or a place in business with one the many companies anxious to strengthen their management staffs.

Some 57 per cent of the money earmarked for capital spending on education in the next four years is intended for higher education. Similar goals, however, were set in the last plan but little or no capital projects were taken at Nigeria's universities due to budget cuts.

In the meantime, demand for university places has been strong. In 1977-78, 41,500 students were studying at universities and this figure is expected to top 100,000 by 1985. And these figures do not account for the unsuccessful candidates who are travelling abroad in increasing numbers.

In all, like any programme entailing the spending of vast amounts of money, education in Nigeria appears very large and very disjointed. Educationalists are fearful that money meant for primary schools will reach the state government coffers and get no further towards a teacher's pay packet. It is possible that some states may want to change their spending priorities and divert some federal monies from education to health care or agriculture or perhaps, even to a few cars for the right people.

"It was clear that when the money went straight from the Federal Government to the school system you had to spend it on education," said an educator in Lagos. "That isn't as clear anymore."

At the moment, however, there is little chance of diverting funds as there are precious few funds about. Dr E. J. Usua, the state education commissioner of Cross River state, announced in September that 50 per cent of the state's recurrent budget would be required this year to keep its school system alive following the cut-off in direct government payments to the schools.

He said the state had instituted a series of austerity measures to raise some N5m more for the schools. Rather than trying to cut enrolment at the schools, Dr Usua called on parents to provide desks and chairs for their children going to school. Further student teachers in Cross River now have to pay N112 per term like the regular students.

Nigeria's children, arriving with desks and chairs, will be educated.

Carla Rapoport

Unspoilt beauty to attract the tourist

A CRYSTALLINE beach as far as the eye can see, a border of nodding coconut palms and barely a soul in sight, except for the occasional young girls with headbaskets filled with chilled champagne, Heineken beer, home-roasted cashews and freshly-baked loaves of French bread. Welcome to Badagary beach, Nigeria, 45 minutes by expressway from Lagos.

Tourism in Nigeria might sound like a contradiction to the business person who has only visited Lagos. The city's pollution and traffic congestion can be overpowering. But Nigeria is rich in physical beauty. With a little investigation, one can find game reserves and hot springs, beaches and inland lakes, ancient historical sites and colourful festivals, bustling markets of all kinds and a smattering of government rest houses and reasonable hotels from which to enjoy these sights.

The first stop is the Nigerian Tourist Board in the shopping concourse of the old race track in downtown Lagos. The dusty corridors and largely empty offices reflect the low status occupied by tourism development, but someone there will provide brochures and information on places of interest.

An official said the agency has been concerned in the first instance with promoting cultural understanding between the various peoples of Nigeria.

"Please don't expect us to build a Disneyland here. We have people in the south who haven't visited the north or the east. We want Nigerians to know their own country first and its history."

However, he was quick to point out that if the government developed the tourist industry along international standards, Nigeria was ready with "more natural resources than the whole of East Africa put together."

In the meantime, the government intends to sponsor specific projects. It will spend N50m (more than £40m) this year on a youth recreation centre in Jos. A park is to be finished this year in Port Harcourt and the famous Usman dan Fodia tomb in Sokoto is under development.

Some spots don't need development. The festivals in Nigeria are plentiful and free. The Bulousubou Oge Festival in Tuomo, Bendel state every January, celebrates the local reptile and boa constrictor population. During the festival, dancers carry live reptiles "harmlessly hugging and kissing them," according to the tourist board's description. But only drinks are used as offerings to the animals.

For the more conventional tourist, the best known spot is Yankara Game Reserve, in Bauchi plateau. There is accommodation for 200 and 640 kilometres of track throuhg the bush where elephants, antelopes, buffaloes and sometimes lions and tigers can be seen. The reserves also offers the Wikko warm springs with a year-round temperature of 34C.

As long as oil keeps flowing, officials at the tourist board don't expect tourism to become a means of bringing in foreign currency. On the positive side, that means Badagary Beach (63 kilometres of double-track road west of Lagos, past the goat market and turn left after the village of Badagary) will remain unspoilt.

Carla Rapoport

Family in the village of Ita-oya, about 40 miles north of Lagos

Plea for the return of Benin's art treasures

IN 1897 the British punitive expedition marched on Benin City and looted one of the finest collections of art anywhere in black Africa. Parts of the city were burned down and all the priceless ivories and bronzes in the palace of the Oba (local ruler) were taken back to Britain.

The expedition followed the killing of six white men who were in a party of eight travelling to Benin to see the Oba. The Oba had made it plain to the Queen's envoy, the acting consul-general of the Niger Coast protectorate, that he could not receive visitors while performing ceremonies after the death of his father.

The acting consul did not heed the Oba's words and set out for Benin City. He was attacked by Benin soldiers armed with guns and machetes. The British revenge was swift and devastating. It destroyed the Oba's control over the craftsmen of Benin, and dispersed the Benin collection throughout the world.

So thorough were the British victors that when Nigeria came to open the National Museum in Lagos in 1956, there was not a single original work of any value left in Nigeria from the Benin tradition. The then colonial administration provided funds to buy some works of art back from Britain. They are the finest works in the museum's collection of Benin bronzes and are worth millions of pounds.

When Nigeria hosted the Second World Black and African Festival of Art and Culture (Festac) in Nigeria, a Benin ivory pendant from the British Museum in London was chosen as the symbol. The pendant was one of those taken during the 1897 expedition and great — but unsuccessful — pressure was exerted on the British Government to return it.

The Nigerian Government has resorted to buying some of the works back. When Sotheby's of London advertised a number of rare art treasures from Nigeria in an auction last year, the Federal Government paid £800,000 to acquire them. Those same pieces form the backbone of the Lost Treasures of Ancient Benin exhibition which is showing at the National Museum in Lagos.

The museum hopes that "through this exhibition we will reach the conscience of those countries that have refused to return our art treasures." The walls of the exhibition are lined with photographs of the many Benin treasures which left the country in 1897 and are scattered throughout the world. "We believe that it is our right to demand that all our art treasures illegally removed must be returned to Nigeria," the booklet for the exhibition says.

The tradition of Benin bronzes dates from 1400 when the reigning oba sent for a bronze smith from his ancestral home of Ile-Ife. The palace of the oba was the centre of the Benin kingdom and the art was essentially court art. The oba kept artists working for him and they were forbidden under pain of death to work for anyone outside the court.

The palace of the oba still stands near the centre of modern day Benin City, the capital of Bendel state. There are also still some craftsmen who cast their bronzes using a wax process. But the originality has gone from their work and they spend their time copying the more famous of the early Benin bronzes. The 2,000 works of art which were taken from Benin City were the last vestiges of the culture's greatness.

Mark Webster

SOCIAL INDICATORS

	1960	1970	Most recent estimate†
GNP PER CAPITA (U.S.$)	160.0	250.0	670.0
ENERGY CONSUMPTION PER CAPITA (kilograms of coal equivalent)	34.0	52.0	106.0
POPULATION AND VITAL STATISTICS			
Population, mid-year (millions)	51.6	66.2	80.6
Urban population (% of total)	13.1	16.4	19.5
Population in year 2000 (millions)			153.0
Population age structure (%)			
0-14 years	45.4	46.6	47.2
15-64 years	52.3	51.0	50.3
65 years and above	2.3	2.4	2.4
Population growth rate (%)			
Total	2.4	2.5	2.5
Urban	4.6	4.7	4.7
Crude birth rate (per thousand)	52.0	51.0	50.0
Crude death rate (per thousand)	25.0	21.0	18.0
Gross reproduction rate	—	3.3	3.4
FOOD AND NUTRITION			
Index of food production per capital (1969-71 = 100)	100.0	102.0	88.0
Per capital supply of calories (% of requirements)	79.0	82.0	82.0
Child (ages 1-4) mortality rate (per thousand)	38.0	33.0	24.0
Life expectancy at birth (years)	39.0	44.0	48.0
Infant mortality rate (per thousand)	*	154.0	*
Population per physician	36895.0	24664.0	15603.0
Population per hospital bed	2765.0	2220.0	1409.0
EDUCATION			
Adjusted enrolment ratios			
Primary: total	36.0	34.0	42.0
Secondary: total	4.0	6.0	*
Pupil-teacher ratio			
Primary	30.9	34.0	34.9
Secondary	19.0	21.0	23.0
Adult literacy rate (%)	15.0	*	*
CONSUMPTION			
Passenger cars per thousand population	0.7	1.0	*
Radio receivers per thousand population	3.0	23.0	79.0
TV receivers per thousand population	0.1	1.4	1.6
Newspaper circulation per thousand population	8.0	5.0	9.0
LABOUR FORCE			
Total labour force (thousands)	21768.5	25988.8	30331.1
Female (%)	41.3	40.6	40.0
Agriculture (%)	70.8	62.1	56.0
Industry (%)	10.4	13.8	17.0
LAND AREA (thousand sq km)			
Total	923.8		
Agricultural	448.2		

† Most recent estimate of GNP per capita is for 1979, all other data between 1977 and 1978
* Not available
Source: World Bank

Headman is the link with power

HIS ROYAL HIGHNESS Pere Jones Soafe Akada, Pere of Kumbowei Clan, does not shake hands; that is not protocol. You just sit quietly and listen in his thatched-roof throne room located deep in the riverine jungle of eastern Nigeria. His Highness will tell you, without prodding, that millions of naira in federal, state and local government funds have been spent in his district and the result has been simple: nothing.

Speaking in perfect, missionary-school English, His Highness will tick off the projects which have been promised since his village became the seat of local government in 1977. "I gave four square miles of land for the teaching college and had it cleared. Thousands have been spent on that project and nothing has happened. I offered the land for the general hospital four years ago and the Government has done nothing since.

"The Federal Government had plans to build 100,000 low-cost housing units here. I gave out the land and nothing has been done. The chief magistrate has promised to bring in a contractor for our court, but nothing has been done."

His Highness is a paid official of the local government and, as the village headman, he arbitrates civil disputes and counsels villagers. He officiates in a large, high-ceilinged room in his mud-brick and wood palace. His throne is covered in crimson cloth and stands on a raised dais, but His Highness prefers to sit on one side in a straight-backed chair. He wears a simple cloth around his waist and no ornamentation. Not surprisingly, he has words for the Government, as well as his people.

"My advice to government is that the major contracts for this country should go to expatriate firms and the smaller ones should go to the community. The foreign contractors are efficient and honest. As for the community, it has handled the only project which has been finished in this village — the secondary school. All those contracts given out by the federal and state government, nothing has happened. It's a great pity. We are suffering."

It's almost impossible to estimate the amount of federal and state funds that have been spent in the district of Pere Jones. However, the budget of the local government for the area has been between N3m and N4m a year since 1977. This year, officials say his village will receive £5m in local government funds. So far only a few government buildings and the secondary school testify to the passage of this money.

"It's true: we have floods here," says His Highness "and development is difficult. But we've got no electricity. We are in darkness here. One contractor came and put up the pillars and the next one never came. Now the pillars are falling down. And we're not connected to anywhere by road."

"I don't condemn the policy of the Government. It is right. But the people, the people misuse their office and their power. They are my sons, the permanent secretary is my own son, the commissioner is my own son. But what have they done? This is the palace of the king — look at it!"

Carla Rapoport

BRITAIN'S EMPLOYERS

The CBI's political quandary

By John Elliott, Industrial Editor

LEADERS OF the Confederation of British Industry face an intriguing and worrying dilemma this morning as the main sessions of their annual conference open in Eastbourne. They know that for more than a year they have been right about their projections on the deepness and length of the recession and that the Government's optimism has usually been wrong.

Last week's CBI industrial trends survey confirmed the deep gloom that was evident late in the summer when industrialists began to come to terms with the fact that there were no signs of increasing demand or output.

But in spite of the fact that the situation is getting no better in most industries, the CBI's leaders know that they cannot mount an outright attack on the Government for refusing to relax its policies a little and help lift manufacturing industry off the bottom of the recession. They know that their members, who are either stoutly loyal Conservatives or who desperately fear the return of a Left-wing Labour Government, are not prepared to allow the CBI to do anything publicly that might undermine the position of Mrs Thatcher and her economic and industrial Ministers.

Divided into three camps

They believe that they have managed to strike the right public note to balance these conflicting pressures for at least part of the past year, but they also know that they have been forced by the inherent contradictions into adopting a relatively low profile in their relations with the Government.

Put simply the CBI is sharply divided into three camps. At either extreme are those who will back Mrs Thatcher to the last, and those who want urgent reflation and consensus politics, possibly with incomes policies and positive industrial policies. In the middle are those who want the Government's overall strategies maintained, but relaxed with an extremely limited reflation.

Mr Walter Goldsmith, director-general of the Institute of Directors, who has a more single-mindedly right-wing membership, has hugely enjoyed stepping into the propaganda breach that this has left — although even he has had to admit recently that one in five of his members are worried about the course of the Government's policies.

Unlike the CBI, Mr Goldsmith sees it as his duty to work primarily for the survival and re-election of the Thatcher Government, and he even went to the lengths last week of warning businessmen not to be lured int the trap of supporting consensus-seeking Social Democrats.

The CBI, however, has to take a broader view and its leaders' main problem is their need to adjust the high profile and aggressive stance developed by the late Sir John Methven during the days of the last Labour Government. The members in those days who gave the high profile, their enthusiastic support now want a far more low key, quiescent stance because a Conservative Party is in power. The CBI has always had a problem operating under a Conservative administration. It has now been accentuated — first by the way the organisation was built up in the Methven era, second by the way that Mrs Thatcher has refused to change tack while the present Government's policies have eaten into the heartland of British industry, and third by the absence of any alternative Government with policies acceptable to the private sector.

The problem came to a head last November when Sir Terence Beckett, Sir John's successor, tried to meet some of his members' demands for an attack on the Government's economic policies by threatening a "bare knuckle fight." For that he got his knuckles rapped both by the Prime Minister and by a few companies which resigned their membership. He consequently admitted he may have gone to far and said that he was putting on his gloves.

Still he could not win. There are now senior industrialists who say he should not have been so apologetic. Some also resent the apparent cosy relationship between the Prime Minister and Sir Ray Pennock, CBI president, that was evident when they at next to each other and made complimentary speeches at the CBI's annual dinner in June. (On balance Sir Ray has more open access to Downing Street and to Mrs Thatcher than Mr Goldsmith, despite the Institute's ability sometimes to create the opposite impression.)

The CBI's dilemma: should its top men, Sir Ray Pennock (left) and Sir Terence Beckett (right) back the Thatcher Government or stand aside from politics?

And while this has been happening, the recession has continued to kill off factories and whole businesses. Now a growing number of businessmen want to say "enough is enough," but the CBI, having been bruised last November, is not echoing this view with a strong voice. It has been calling—without effect—for a £1½bn gentle reflation, based on accelerating the authorisation of major capital projects such as railway electrification and the Chanel tunnel. It has also been calling for a cut in the National Insurance Surcharge (which it might win, though victory is far from assured).

It has not felt free to warn the Government outspokenly about the impact of the recession—and the extended absence of Sir Terence, who was ill some weeks ago, has inevitably meant that its voice has been heard even less.

The problem was highlighted recently at a private and unpublicised meeting of the CBI's industrial policy committee, addressed by Mr Geoffrey Chandler, director-general of the National Economic Development Office who was canvassing support for his belief in the need to build consensus, develop understandings on wages, and pick industrial winners.

The CBI really must make up its mind, he said, whether it is a party political animal (presumably like the Institute), or whether it is capable of standing aside from politics as a totally impartial industrial representative organisation. It was time the CBI spoke out for consensus and a positive approach to industry, even if that would upset Mrs Thatcher and some of its members.

Some members of the committee agreed with him and suspected that his views were not far removed from those of two CBI leaders present at the meeting—Sir Campbell Fraser, who is the next CBI president and who will make the key speech winding up the conference tomorrow, and Sir Arthur Knight, former chairman of Courtaulds and the National Enterprise Board who has been helping run the CBI while Sir Terence has been away.

His views are also probably in line with a lot of the CBI's staff at its Centre Point headquarters and with Sir Terence who earlier this year was forced by the membership to drop industrial policy issues from a discussion document, The Will To Win, which he eventually had to reduce substantially in scope.

There is a rumour circulating, which is almost certainly true, that a lot of the staff have joined the Social Democrats from both the right wing of the Labour Party and the left wing of the Conservative Party. This does not mean that the organisation is going "pink," nor that industrialists are not being well served. But it does illustrate the belief in consensus among many people concerned with industry who are tired of the polarisation of the main parties' policies.

Despite its problems, the CBI has had some successes this year. But, as one member put it to me last week, it "seems able to win small concessions from the Government but nothing very major."

It has played a leading role in setting low levels for pay rises while steering clear of formal wage norms.

It has successfully pushed home the need for a moratorium on industrial rates but has failed, so far, to persuade the Government to do much about bringing down the level of energy costs and other state industry prices. (There are tensions between the nationalised industries, which belong to the CBI, and some of the more right-wing members. This may surface during the conference.)

It has also failed so far to obtain a cut in the National Insurance Surcharge, but it has obtained significant concessions on sick pay charges planned by the Government. It has also produced a report which could have a significant impact on the reduction of local council and other public service costs.

It does not want the Government to move too fast on labour law reforms and here seems to be losing out to the Institute whose members (reflecting the personal views of company chairmen rather than the views of personnel experts or complete boards of directors) are more in tune with Mr Norman Tebbit, the new Employment Secretary.

It has helped to marshall forces against the Japanese on trade issues, but has been forced by the Government to abandon some of its ideas for precise controls. It is also launching what could develop into a significant campaign against Britain's withdrawal from the EEC.

Sir Ray Pennock, who has had the difficult job of being CBI president while also pushing through changes at his company, BICC, insists that this adds up to a good record, even though interest rates have gone back to last year's levels. Some people believe he had not spoken out sharply enough to steer industry through the past year having been tamed last November by Mrs Thatcher. But he believes that the CBI has been effective, even if it has not been so flamboyant as the Institute.

Background of BL dispute

Sir Ray is also pleased with the way that Sir Terence has reversed the CBI's own financial decline, tightened its organisation, and balanced its books by reducing the staff from 480 to 360 and sub-letting three floors of its Centre Point headquarters. Despite last November's resignations and the impact of the recession it has finished up with about the same number of member companies as in 1980.

But the inherent contradictions of the CBI remain. In a way it is apt that the conference should be meeting against the background of the BL dispute, which illustrates the dilemma. CBI members have faith in the Government, despite the impact of its policies on their businesses. They will also cheer Sir Michael Edwardes' stand against the unions on wages and his tough liquidation threat, while privately worrying desperately about the impact this would have on many of their businesses if BL closed.

Lombard

The fall in U.S. interest rates

By Samuel Brittan

THE forthcoming revision of the U.S. Consumer Price Index (CPI), which at present vastly over-states the effects of home mortgage payments, is important not only for statisticians. The index has given a completely spurious picture of an inflation peak of more than 13 per cent reached in 1979 dropping back towards 10 per cent since President Reagan took over. Meanwhile, the more representative GNP deflator shows a truer picture of domestic inflation reaching 8½ to 9 per cent in 1979 and hovering on a plateau since then.

The mere stabilisation of the inflation rate at around 9 per cent has, however, involved a sharp slowdown in real growth. This was virtually zero in 1980 and the modest gains so far shown in 1981 may easily be wiped out, as the new recession (or rather second phase of the one which started in 1980) develops. A careful examination of the table suggests that the growth rates of 1977-79 were incompatible with even stable and high inflation, let alone the reduced inflation that all claim to want.

Is the prospect then one of more recession or of an abandonment of counter-inflationary objectives? Judging by the official figures for M1B, the Fed's main target measure of the money supply, there has been a sharp deflationary profit from an annual rise of 7½ to 8 per cent to one of 5 per cent on the crude figures and just more than 2 per cent if one includes the Fed's adjustment for the shift to savings deposits following recent legislation. On this interpretation, the Fed is well below this year's target range of 3½ to 6 per cent; and the past few days' drop in interest rates is a prelude to a sustained lowering of rates, both because of recession and because of reduced expectations of inflation.

The alternative interpretation, associated particularly with Dr Henry Kaufman of Salomon Brothers, is that just as official British "broad" monetary figures understate the squeeze; the U.S. "narrow" ones overstate it. The persistence of high bond yields argues for the continuation of inflationary pressures. One pessimistic way of reconciling the two interpretations is to say that the recession is real enough, but that policy will soon become more inflationary and, as on so many occasions before, the sacrifices will have been made for nothing.

The immediate indicators suggest a more severe U.S. recession than has been generally appreciated and at least a temporary abatement of inflationary pressures, in spite of the high Budget deficit. The most depressing signs come from the housing and real estate market. But at least as important has been the high dollar. *The Exchange Rate Outlook* shows a deterioration in U.S. competitiveness relative to trend of well over 30 per cent, higher than that now prevailing in the UK.

International commodity prices measured in dollars have fallen steeply in the past year. The effects in Europe have been offset by a higher dollar price of oil. But if this is stabilised by the new Opec agreement European inflation rates should come under downward pressure in 1982. If the dollar should fall, the counter-inflationary influences will be further reinforced and a much more relaxed attitude to European interest rates may be possible than for many years past.

KEY U.S. INDICATORS

% Annual Rise on Previous Year

	Consumer Prices (End year)	GNP Deflator	Money GNP	Real GNP	M1B (Dec. on Dec.)
1977	6.8	6.0	11.6	5.5	8.1
1978	9.0	7.3	12.4	4.8	8.2
1979	13.3	8.5	12.0	3.2	7.5
1980	12.4	9.0	8.8	0.2	7.4
1981 Third quarter	10.8*	9.1	11.8	2.5	5.0†

* September † October 23, shift adjusted rise is 2.2 per cent. Source: FT Statistics

Letters to the Editor

A series of objectives with a range of numbers

From Lord Vaizey

Sir,—I write in support of Samuel Brittan's carefully reasoned article of October 29. Rather than stick to some number, which is bound to be inaccurate anyway, and to change as time unfolds, the strategy is best defined as a series of objectives to which a range of numbers is attached.

Argument among reasonable people can therefore take place not about "monetarism" but about the degree of speed with which the objectives are to be pursued. As I understand it, that's the way the sensible opponents of the medium-term financial strategy already argue.

It is not sensible to say there should be no strategy, which is what Mr Foot says, since it just means a return to hyper-inflation. Nor, as some people say, is public investment "the answer." It is in fact merely a way of saying "sin a little (or a lot) more." Can anybody think of any major public investment project in recent times that has not suffered from huge cost over-runs and absurdly low returns? The Humber Bridge? The Thames barrage? Tower blocks? Liverpool hospital? Is there any reason to suppose that gas pipelines, the Channel tunnel, railway electrification, etc, etc, are any different?

There is a clear reason why this is so (apart from technological megalomania). The publicly-owned industries have a very large purse indeed for current costs and (until the advent of MacGregor and Edwardes) no apparent means of controlling them. Any capital spending can therefore be added on to unchecked current bills with impunity. The prospective returns are by definition bound to be rosy.

Vaizey.
House of Lords, S.W.1.

Relative performances of Lloyd's syndicates

From the Director, Centre for Insurance Research, City of London Polytechnic

Sir,—Some time ago I undertook some research into the relative "efficiency" of Lloyd's underwriters. Using aggregate Lloyd's data I attempted to compare the expense ratios for different classes and tranches of business, and by adopting one or two heroic assumptions, was able to make the first accurate comparisons with the expense ratios for the company market. The results of this exercise were published by the Lloyd's of London Press. As one of my conclusions I noted that any survey of efficiency should be undertaken with care, and its numerical results treated with caution.

The same reservations must be appropriate to a survey (October 27) of the relative performance of underwriting syndicates at Lloyd's. The 400 or so syndicates at Lloyd's specialise in different insurance markets, and within the markets, in different classes of business and even in different forms of risk. The risk portfolios of different syndicates are therefore quite dissimilar, and it would therefore be remarkable for all syndicates to perform identically.

The matter is complicated by at least two other factors: the extent of excess capacity, which varies widely between syndicates, and the length of the tail of the different classes of business, which affects the size of the reinsurance to close.

The relative profitability of one syndicate versus another may be partly due to subjective views about the value of claims to be paid in the future; should these claims be exaggerated, then this will ultimately affect a syndicate's profitability for a later accounting year. A run of experience is therefore probably more revealing about performance than a one-period cross section study. Indeed names are usually told that they should look to a run of experience, and take a long period view before deciding to change syndicates or opt out altogether.

None of this should be taken to mean that everything is right at Lloyd's. Fisher spent time on the advantages and disadvantages of increased disclosure to names by agents and syndicates, and I have some sympathy with more disclosure. I am not sure, however, that the exercise undertaken by the Association of Members of Lloyd's is in the best interests of names, or of Lloyd's and the insurance industry in general.

Peter Franklin.
84, Moorgate, EC2.

No women's sections in Jobcentres

From the Executive Director (South of England) Manpower Services Commission Employment Service

Sir,—Mr Daniell (October 27) asked whether your photograph of "the women's section of Hammersmith Jobcentre" inferred that certain jobs were only available to women, something which could be contrary to the Sex Discrimination Act. I can assure your readers that there are no women's sections in any Jobcentre nor have there been since the sex discrimination legislation. The photograph you published is certainly not of the present Hammersmith Jobcentre. It may be of our old Employment Exchange in the early 1970s, a far cry from the service and facilities provided for job seekers and employers today.

S. Tolson.
Selkirk House,
166, High Holborn, WC1

Discounting airline tickets

From the Editor, Business Traveller

Sir,—I am sure many of your readers shared my scepticism on reading Mr Donne's report from the International Air Transport Association conference in Cannes on October 28, that IATA members had agreed "to take stern action against unauthorised cutting of fares."

Does anyone really believe that the airlines, desperate as they are for cash and customers, are going to indulge in such a nose-cutting-off exercise?

The fact is that there is barely a single member airline of IATA which is not discounting tickets to fill otherwise empty seats. Far from this depriving them of several hundred million dollars a year, as Mr Donne's sources suggest, it is probably saving them that. Airline seats are a very perishable commodity.

If IATA airlines really wish to end discounting, they should study the one route where it has disappeared — the north Atlantic. And why? Because this is the only route where there is free competition and market forces have been permitted to determine fare levels.

If IATA members were to accept free competition of this sort in Europe and elsewhere, bucket shops would disappear.

Nick Parsons.
60-61 Fleet Street, EC4.

Legislation for the trade unions

From Mr F. Pike.

Sir,—Legislation is not always a rationalisation of established good practice, but I often wish it was. The article on British trade unions by Christian Tyler (October 27) caught my attention. I read it once and then again.

The trade union movement is a form of expression which not all of us like, but it has important things to say and we should be prepared to listen. Change is inevitable, but that change could be in the form of evolution rather than reorganisation. Legislation which increased responsibility with respect to training might be preferable to that which increased the liability to legal action.

Have we ever thought of financing the trade unions from profit margins rather than pay packets? No profit margins, no trade union finance; but the debate on the closed shop issue would become an anachronism overnight. I get the feeling that the full spectrum of possibility has still to be explored.

F. K. C. Pike.
50 The Shires,
Old Bedford Road,
Luton, Beds.

Non-executive directors

From Mr N. Cragoe

Sir,—May I offer a comment on the subject of non-executive directors (Arnold Krandsdorff, October 27)?

I have often been impressed by the sudden insights into company policies and problems of many potential candidates for the jobs who, for one reason or another, have not been quite to specification. Would these people not make ideal non-executive directors, even if cross-fertilisation in terms of a wider executive brief was denied them? Might not the lack of non-executive director appointments and a fairly frequent refusal to cross-fertilise be reasons why British management is seen to perform less well than overseas competitors?

N. L. Cragoe.
50, Pall Mall, SW1

UK COMPANY NEWS

MDW earns and pays more at mid-way

Pre-tax profits of MDW Holdings, subject to a bid from F. J. C. Lilley, moved ahead from £467,000 to £501,000 for the first half of 1981, on turnover up by £2m to £21.7m.

Mr H. A. Whitson, chairman, says that while competition for new contracts remains severe and margins have not improved, construction turnover has been maintained and the order book is satisfactory.

There was no tax figure, earnings per share are shown as 7.42p (6.92p) and the interim dividend is stepped up from 1.25p to 1.5p net payable on November 12—last year's final was 3.25p.

Mr Whitson states that as part of the Lilley Group, MDW will have improved scope and resources for growth, and the enlarged group will be able to offer an extended range of construction services.

Directors of MDW, who hold a total of 612,650 ordinary shares (9.1 per cent) unanimously recommend all shareholders to accept the offer.

Shareholders will, the chairman says, through their entitlement to new Lilley ordinary shares, acquire "an interest in a group with a fine record of growth and thereby retain an interest in the future fortunes of MDW."

Growth of over 30% promised by Linfood

Linfood Holdings has promised shareholders a minimum 30 per cent profit growth this year and a restoration of dividend growth in an attempt to keep their loyalty in the face of the unwelcome bid from Argyll Foods.

Early last month the newly restructured board announced that pre-tax profits for the 12 months to April had declined by £1.3m, largely as a result of a £2.3m drop in trading profits from the Gateway supermarket division. Dividends were cut *by 9 per cent to 10p*.

Yesterday the board unveiled its defence against the Argyll bid. This concentrates on the rationalisations and management reorganisations now underway across the board at Linfood.

Some of them, the board says, will show through in the half-year figures to be published next month, by when interim profits *should have risen by £1m to* £5.5m, largely as a result of the 20 per cent growth in sales now being achieved by the Dee Discount network of northern stores.

In the second half, Gateway, which has strengthened management and new price structures, should also turn up. Cost cutting exercises, particularly in the cash and carry division, would also show through by then and the full year figures should be £11.6m before tax, but after £1.1m of exceptional closure and redundancy costs.

In view of this the board is promising to increase this year's dividend to 12p, restoring the cuts just imposed and adding a further 9 per cent.

The figures take no account of the proposed sale of the Delivered Wholesale division to its management, announced on Friday. This has still to be approved by shareholders but has already come under attack from Mr Jimmy Gulliver, Argyll's chairman.

Distributed Wholesale makes *£2.4m of profits for Linfood and* the board believes there is little potential growth. Mr Gulliver says the terms of the deal give the lie to this. The management is paying £21m for the division, £14m in cash and £7m in loan notes. This, Mr Gulliver suggests, requires the new management to make at least £4m of profits to service the acquisition costs.

He also fears that the sale could have a long-term detriment in reducing Linfood's buying power and in threatening customer loyalty among the grocery chains.

Argyll is reserving its detailed refutation of the defence document for later in the week. However, Mr Alec Monk, Linfood's new chairman, said Argyll could not justify the terms of its bid in the face of Linfood's prospects for growth this year and in the future.

Feedback comes to unlisted market

Feedback, which manufactures and markets electronic and electrical equipment *for a range of* educational and industrial uses, is coming to the Unlisted Securities Market by way of a placing of 1.92m shares at 90p a share, capitalising Feedback at £7.56m.

Of the shares being placed, 1.5m are being sold by existing shareholders with the balance being issued by Feedback. The *placing represents 22.8 per cent* of the enlarged issued share capital, of which the directors and their family interests will retain 69.5 per cent.

Feedback, founded in 1958 by its present chairman Professor Westcott and managing director Mr T. Strand, manufactures data handling equipment.

In the five years to March 31 1981, Feedback *turnover* increased from £2.1m to £5.6m, and pre-tax profits from £343,000 to £751,000. In the first half of the current year unaudited pre-tax profits were £381,000 against £316,000. Forecast pre-tax profits for the year to March 31 1982 are not less than £875,000. The directors intend to pay dividends amounting to 2p.

The placing has been arranged by Arbuthnot Latham in conjunction with Hoare Govett. Dealings are expected to begin on Thursday.

● comment

Feedback has a strong balance sheet and two well-established lines of business. Feedback Instruments produces electronic test gear and has a niche in the educational market, concentrating on aids for technical training in the use of control systems. Feedback Data—the junior branch of the group—makes terminals for use in production and stock control, and also cartridge drive systems for use in electronic telephone exchanges. Although Data is somewhat dependent on "original equipment" sales to large customers—notably ICL—the range of customers is being expanded as new products develop, and it is Data which is expected to do most of the work in prolonging Feedback's record of compound growth at better *than 20 per cent. A few months* ago, new USM offerings in computers and electronics were able to command fully-taxed multiples approaching 30. It is a sign of the times that Feedback (complete with 20 per cent growth forecast) is being placed on a fully-taxed p/e of 17.5. That represents some discount even to the currently depressed prices of earlier issues such as Consultants and Scan Data.

V.W. set for USM placing

V.W., an East London metal fabrication and precision engineering company established in 1919, is coming to the Unlisted Securities Market by way of placing of 1.17m shares at 62p per share. The shares amount to 21.2 per cent of the issued capital, as enlarged by 0.60m shares issued for the purpose of this placing.

The company's operations include the manufacture of components for aircraft engines, fabrications of bases for machine tools and housings for radar equipment, precision engineering of parts for computer and vehicle manufacturers, and machining for aerospace and defence contractors.

The four principal customers are Rolls Royce Ltd, the 600 Group, Plessey, and Marconi Space and Defence Systems. Together, they account for some threequarters of V.W.'s turnover.

The placing, which will raise approximately £724,000, is being undertaken primarily to reduce the level of hard-core bank borrowings which will assist the funding of any future expansion.

At June 30 1981 the company's borrowings amounted to £1.7m, and shareholders' funds were some £2.5m. The net book value of fixed assets was £2.4m.

Forecast profits for the year to December 31 are not less than £615,000 before tax. It is indicated that had the company's shares been publicly held throughout the year, net dividends of 3.886p per share would have been paid, and the directors intend to declare a final dividend of 2p.

No dividends have been paid during the last five years, and the chairman has agreed to waive 99 per cent of the dividends relating to his 50.6 per cent holding for 1981 and 1982.

The placing is being made by Gray Dawes Bank and the stockbrokers Hoare Govett. Dealings are expected to begin on Thursday.

● comment

V.W.'s pre-tax profits have grown at a compound rate over the last five years of some 27.5 per cent. But interest charges—including hire purchase—have risen more than twice as fast. So, with capital gearing approaching 70 per cent, it is reasonable enough for the company to seek fresh equity. There is a degree of stability to the earnings pattern, since two-thirds of the workload is business which can be expected to repeat itself for the foreseeable future: a prime example is the machining of replacement parts for the whole range of Rolls Royce aero-engines. Although the company has flexibility to undertake precision engineering on a one-off basis for prototype purposes, firm orders already cover 72 per cent of planned turnover up to September 1982. At the placing price of 62p, the forecast fully-taxed p/e of 10.53 makes no particular demands: the rating is a respectful notch or two below that accorded to Aerospace Engineering, which was nearly 19 times oversubscribed when it came to the USM in July.

GUS profits ahead so far

WHILE OVERALL turnover at Great Universal Stores is broadly the same as last year, as a result of diversified trading activities, pre-tax profits for the first five months of the current year are ahead of those for 1980-81, Sir Isaac Wolfson, chairman, tells members.

Steps taken to improve efficiency and bring trading stocks and debtors into line has resulted "in a positive cash flow which has been helpful."

The group believes that its spread of activities, both in the UK and abroad, the strength of operational management, strong liquidity, and its large property *content in the portfolio*, will enable it to continue to give as good an account as current adverse trading conditions will allow.

Sir Isaac says that directors will seek to improve group performance by concentrating on better productivity, restricting cost increases and maximising cash flow. And they will continue to invest in its successful trading divisions.

"We will take advantage of trading opportunities in merchandising, marketing, and new developments both at home and overseas," he states.

At the year-end March 31, group balance sheet shows net current assets up from £486.4m to £529.2m including bank balances, certificates of deposit and cash well ahead at £172.56m, compared with £98.4m a year earlier.

As reported on July 17 an improvement in the second half lifted taxable profits for the March 31 1981 year from £179.75m to £179.53m. After tax and appropriations, the amount retained was £71m (£68m).

Meeting, 20, Aldermanbury, EC, November 27 at noon.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the subdivisions shown *below* are based mainly on last year's timetable.

TODAY

Interims—Graig Shipping, Ropner Holdings

Finals—Majedie Invests., Yarrow.

FUTURE DATES

Interims:—

Beales (John)	Nov 13
Continental Ind. Trust	Nov 3
Fortnum and Mason	Nov 6
Heath (C. E.)	Nov 24
International Thomson	Nov 5
Moyer (Montague L.)	Dec 8
Northern Goldsmiths	Nov 11
Rexmore	Dec 1
Wettern Bros.	Nov 3
Wire and Plastic Prods.	*Nov 11*

Finals.—

Burndene Invests.	Nov 5
Concentric	Nov 23
Singapore Para Rubber Ests	Nov 3

FT Share Information

The following securities have been added to the Share Information Service:—

American Natural Resources (Section: Americans).

Holland Sea Search NV (Oil and Gas).

Jeavons Engineering (Engineering).

Mid Wynd International Investment Trust (Investment Trusts).

Nationwide Building Society 13¼% Bond (29/9/82) (Loans—Building Societies).

Young (H.) Holdings (Motors).

SPAIN

1981 High	Low		Oct 30 Price %
385	251	Banco Bilbao	330
395	280	Banco Central	324
436	279	Banco Exterior	308
346	279	Banco Hispano	315
128	117	Banco Ind. Cat	117
410	284	Banco Santander	384
249	145	Banco Urquijo	213
404	295	Banco Vizcaya	352
286	196	Banco Zaragoza	218
225	87	Dragados	146
81	65	Espanola Zinc	70
74.2	55.7	Fecsa	70.2
65	22	Gal. Preciados	39
88	63.5	Hidrola	77.2
62.5	51	Iberduero	60
128.7	70	Petroleos	106
85	70	Petroliber	62
102	51	Sogefisa	51
90	60	Telefonica	79.2
62.5	60	Union Elect	75.0

EDINBURGH EXEMPT FUNDS

	31.10.81 Bid	31.10.81 Offer
AMERICAN FUND	70.3p xd	73.3p xd
JAPAN FUND	264.0p	275.2p
PACIFIC FUND	124.2p	129.5p

EDINBURGH FUND MANAGERS LIMITED
4 Melville Crescent, Edinburgh EH4 7JB. Tel: 031-226 4931

INTERNATIONAL BONDS

By PETER MONTAGNON

Gloom lifts as short-term rates fall

THE EUROBOND market managed to shake off some of its medium-term worries about interest rates and the U.S. budget deficit last week as it was confronted by an immediate prospect of a decline in short-term interest rates.

By last Friday, dealers were in a distinctly buoyant mood. Six month Eurodeposits fell a further ½ point to 16 per cent, bringing their decline over the week as a whole to ⅞ per cent. Fixed rate dollar bonds put on ¾ points on the day although their closing levels were still only a fraction above those of a week earlier.

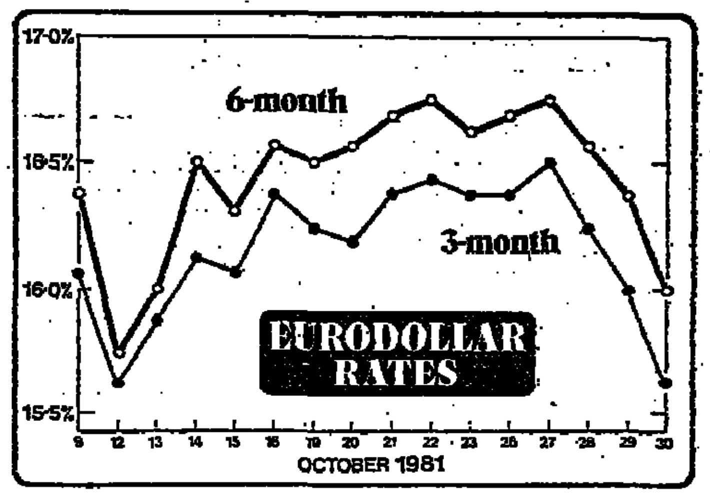
Bad news about the U.S. economy in the form of a 2.7 per cent decline in U.S. leading indicators during September was good news for the bond market as recession generally takes the pressure off long-term interest rates.

In Europe bond dealers were also taking heart from the confident tone of the New York bond market ahead of this week's U.S. Treasury $8.75bn funding package. After the gloomy start to the week these developments seemed rather unreal, and the problem was that no one was really sure quite how long it would all last.

For investors the new situation posed a difficult choice. Should they get carried away by a decline in short-term rates and launch into the bond market? Or should they side with those who say that a liquidity squeeze in the U.S., could still push interest rates up to record levels in a few months' time?

The response seemed to be to hedge their bets. At the end of last week there were definite signs of investor demand, particularly from the Continent, for selected recent high coupon issues for North American names.

The three new fixed rate issues of last week—for Caterpillar Tractor, Newfoundland and Labrador Hydro, and Southern California Edison—were all quoted at very narrow discounts in the market on Friday. The California issue, first mooted at $60m, was launched at $75m because of the enthusiastic response.



But there was no evidence of a real flood of investor buying. The consensus among professionals was that while the market might remain firm for a little while longer, there was always the risk that a spate of new issues or a disappointing response to the U.S. Treasury funding package in New York might abort an incipient rally.

The mood in Germany was somewhat less up-beat, however. The market is weighed down by prospects of a large Federal Government deficit next year, which is limiting the scope for downward movement in long-term rates.

In the short term the German sector also has to cope with a large DM750m calendar of new foreign issues this month. The upshot was that attempts to follow the New York market upwards on Friday came to nothing.

The Swiss Franc market was helped by the decline of the dollar on the foreign exchange markets. Strong gains were noted on new issues on Friday and overall average gains on the week were about ½ per cent.

The strengthening of the Swiss currency has led to some renewed investor interest in bonds from abroad. More important, it is encouraging interest in bonds by domestic investors. These are notoriously selective, however, and with short term interest rates still well above bond yields, the popularity of individual borrowers still counts for a lot in this market.

● The European Investment Bank is raising BFr 2bn through a 14.5 per cent, six-year bond issue at par in the domestic Belgian market. The issue is led by Ste Generale de Banque.

CURRENT INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead manager	Offer yield %
U.S. DOLLARS							
‡†Ireland	100	1988	7	5⅛◦	100	Manufacturers Hanover	5.319◆
†‡Oest. Volksbank	25	1989	8	5⅛◦	100	Lndn. & Cont. Bankers	5.319◦
‡**Showa Denko	50	1988	7	16	100	Citicorp	16.640
†Banca de la Nacion Peru	25	1986	5	7◦	100	Arab Bnkg. Corp., Arlabank	7.123◦
‡Consolidated Bathurst	40	1988	6½	17½	98½	Orion Royal	17.892
Caterpillar Tractor	100	1986	5	16½	100	Goldman Sachs, Kuhn Loeb Lehman Bros., Merrill Lynch	16.500
‡†Banca Nacional de Comercio Exterior	50	1988	7	5½◦	100	West LB, Goldman Sachs	5.833◦
‡†SFE	50	1988	7	5½◦	100	BNP, Bank of America	5.576◦
†Standard and Chartered	100	1991	10	5⅛◦	100	Morgan Stanley	5.319◦
Newfoundland & Labrador Hydro	75	1988	7	17½	*	CCF	*
§Tokyo Land	15	1996	15	5¼-6	100	Daiwa Securities	*
Southern California Edison	75	1986	5	16½	100	CSFB	16.750
Banco de la Provincia de Buenos Aires	50	1988	—	7¼◆	100	Morgan Guaranty, Orion Royal	7.750◆
CANADIAN DOLLARS							
‡Province of Quebec	50	1987	6	17½	100	Societe Generale	17.500
‡Canadian Pacific Secs.	40	1987	6	17½	100	Orion Royal Bank	17.750
D-MARKS							
‡Finland	100	1986	5	10½	100	Dresdner Bank	10.500
SWISS FRANCS							
‡Unilever NV	100	1993	—	7½	100½	SBC	7.436
‡TNT O/S Fin NY	50	1991	—	8	99½	Handelsbank NW	8.075
‡**Ireland	50	1986	—	8½	100	Citicorp Fin. Geneva	8.375
‡St. Etienne	20	1991	—	8½	100	Gutzwiller, Kurz, Bungener	8.500
‡**World Bank	200	1987	—	8½	100	SBC	8.500
‡**ECSC	20	1987	—	8½	100	Soditic	8.500
YEN							
‡IADB	15bn	1991	9.4	8⅞	99½	Daiwa Securities	8.953
KUWAITI DINARS							
‡Credit National	7	1991	7	10	91½	KIC, Paribas	11.495
EUAs							
‡City of Montreal	25	1988	6	13½	99½	Kredietbank	13.307

CREDITS

By ALAN FRIEDMAN

Third time lucky for Ferrovie

IF AT first you don't succeed, you might be lucky on your third attempt in the Eurocredit market. This, at least, has been the experience of Ferrovie, the Italian State railway corporation, which has just given S. G. Warburg and Soditic the mandate for a three-tranche borrowing package amounting to $400m to $500m.

The first tranche is a three-year, 11-month $100m to $150m credit which is to carry a margin of ½ per cent above the London interbank offered rate (Libor). The second is a 5½ year $100m credit at ⅝ per cent over the U.S. prime rate or ½ per cent above Libor.

The final tranche is a seven-year $200m to $250m floating rate note with a spread of ¼ per cent above Libor. Holders of these notes will have the option, at any time, to convert into fixed interest 15 per cent bonds which mature in 1991.

The Ferrovie package comes after two unsuccessful efforts to organise a deal and shows that persistence can be useful especially if it leads to a carefully structured borrowing designed to hit those areas of the market that are more liquid than others.

Another long-awaited credit is about to surface in Copenhagen, where the Ministry of Finance is expected to take a decision this week on whether to seek a $250m 10-year credit for the Kingdom of Denmark. Several banks—among them Arab, Japanese, Canadian, and European institutions — have agreed on tentative terms of ⅜ per cent above Libor for the first five years and ½ per cent thereafter, with a five-year grace period.

Meanwhile, in New York, Chase Manhattan has put together a $200m two-tranche deal for the Banco Nacional do Desenvolvimento Economico (BNDE), the Brazilian Government development bank.

The first $100m tranche bears interest at 2⅛ over Libor or 1⅞ over U.S. prime rates for eight years with a 2½ year grace period, but lead managers will offer a $50m portion in the market on a five-year basis at a margin of less than 2 per cent. This figure has still to be determined.

During the five-year period the lead-managers will collect the difference between the two spreads as an effective commitment fee for taking the $50m back on their own books for the remaining three years.

The second tranche in the BNDE deal is an eight-year $100m credit with a four-year grace period and a margin of 2½ per cent above Libor or 2 per cent above prime. But lenders will have the option instead of participating in a three-year $100m bullet with a spread also under 2 per cent, to be set by lead managers. After the three years, the lead managers may "take out" the participants and continue receiving the 2½ per cent spread for the remaining five years.

It was learned in London on Friday that Yugoslavia is likely to scale down the amount of its expected Eurocredit, which Dr Ksente Bogoev, the central bank governor, had previously described as a $400m loan.

Initial discussions with bankers, said Dr Bogoev, were "disappointing" and Yugoslavia did not wish to "impose" itself on the market. He said the Yugoslavs will not discuss a 1½ per cent margin above Libor. The banks, meanwhile, say they will not accept 1⅛ per cent.

For Electricité de France, however, there was good news last week as its $500m Eurocredit was increased to at least $600m after a shaky start. Details of the increase are expected this week and bankers in Paris were hoping to reach $700m, proving that despite what many bankers describe as a worsening of the country's credit rating, there is still scope for French names.

Completion of the $500m credit for the Petroleum Corporation of New Zealand is also expected this week and the lead manager, European Banking Company, is optimistic that the full amount will be attained.

But a senior EBC executive admitted on Friday: "It's been tough going."

While bids were still coming in for Venezuela's $500m jumbo credit, a $350m credit (increased from $300m) for the Banco Industrial de Venezuela was signed on Friday. The four-year facility carries a spread of ½ per cent above Libor and was led by Credit Suisse First Boston.

U.S. BONDS

By DAVID LASCELLES

Uncle Sam comes to market

GIVEN WALL STREET's loudly proclaimed fears about the size of the Government's borrowing needs, the U.S. credit markets did surprisingly well in the run-up to this week's Treasury refunding, which will unload $8.75bn of new Government paper onto traders' desks. Bonds all showed big gains by the end of last week, and short-term interest rates extended their declines, albeit only slightly.

The Federal Reserve's decision to cut the basic discount rate on Friday night should help carry the rally through to this week. As one trade said before packing up for the week-end: "That set the market up nicely."

The Fed reduced the discount rate from 14 per cent to 13 per cent, its first cut since May. It cited the recent decline in short-term rates and the fall in bank borrowing from its discount window. But it stressed that this did not imply that there had been any change in its basic monetary policy, which continues to be directed at restraining the growth of money and credit.

But the improvement in the market was a bit illusory. At the beginning of the week, the long Treasury bond sank to set a new record low in anticipation of the refunding, so its gains were measured from rock bottom. And it still looks as though the Treasury notes and bonds that go on auction tomorrow and the days after will sell at record high yields.

U.S. INTEREST RATES (%)

	Week to Oct 30	Week to Oct 23
Fed funds wkly. av.	14.44	15.30
3-month Treas. bills	12.97	13.29
3-month CD	15.10	15.30
30-year Treas. bond	14.58	14.86
AA Industrial	16.50	16.50
AAA Util.	17.38	17.38

Source: Salomon Bros.

The refunding will roll over $5bn of maturing debt and raise $3.75bn of new cash. It starts with $4.5bn of three-year notes tomorrow, continues with $2.25bn of 10-year notes on Wednesday, and ends with $2bn of 30-year bonds on Thursday. The crucial test will be the long bond, where the market is so weak that many analysts have been suggesting that the Treasury should stop selling 30-year debt altogether.

The key to the refunding's success will be the strength of retail demand for these offerings. Unfortunately, this was conspicuously absent from last week's rally which was fuelled mainly by Wall Street trading.

Hordes of portfolio managers and private investors will have spent this week-end trying to decide whether the moment has come to lock into historically high yields.

Wall Street's gurus, who wield enormous influence, were saying on Friday that while interest rates might continue to fall in the period immediately ahead, they would bounce back up again before long — the implication being that anyone who buys at the refunding should be ready to sell quite quickly.

The refunding will occupy the market to the exclusion of everything else, and no other big debt issues are planned. The excitement also took its toll on last week's calendar, when Southern Bell was forced to cancel a planned sale of $300m of 40-year bonds.

FT INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
APS Fin. Co. 17¾ 86	60	101	101½	+0⅜	+1	16.84
CIBC 15¼ 86	75	95⅞	96⅜	+0½	+0¼	16.42
CIBC 16⅞ 91	100	98⅞	99⅜	+0⅜	+0½	16.93
CNA 15¼ 95	75	91⅛	91⅝	+0⅜	−0½	16.82
Citicorp Int. Fin. 15 86	150	96	96½	0	−0⅜	16.12
Citicorp O/S 15½ 84	175	100	100½	+0⅜	+0⅝	15.25
Citicorp O/S 16¾ 86	150	100¼	100¾	+0½	+0½	16.58
Cities Service 17 88	150	102½	103	+0⅜	−0⅝	16.27
Con. Illinois 14¾ 84	100	95⅛	96⅜	+0¼	−0¼	16.62
CPC Fin 16⅜ 86	50	102⅜	102⅞	+0⅜	−0⅝	15.97
EEC 14⅞ 93	65	90¼	90⅝	+0⅜	−0¼	16.60
EIB [illegible]	100	98⅞	99⅜	+0⅛	+0½	16.68
EIB 16⅞ 91	100	98⅝	99⅛	+0½	+1¼	16.99
Fed. Bus. D. 15¾ 84 (J)	40	98⅜	98⅞	+0⅜	−0¼	16.30
Finland Rep. of 9½ 86	100	77⅝	78⅛	+0¼	+0½	17.01
[illegible] 85	150	96½	97	0	−1⅛	17.16
GMAC O/S Fin. 14⅞ 87	100	92⅞	93⅜	+0⅜	+0½	16.64
Gulf States O/S 17½ 88	60	101⅛	101⅝	+0⅜	+0⅞	17.12
Hiram Walker 16 86	50	98⅞	99⅜	+0⅜	+1⅛	16.19
IBM Wld. Trade 17¾ 84	100	100⅜	100⅞	+0¼	0	14.34
IBM Wld. Trade 14½ 85	60	100½	101	+0⅛	+0⅜	14.41
Nat. Bk. Canada 15⅞ 94	40	96⅝	97⅛	+0⅛	−0⅜	16.68
Nat. Bk. Canada 16½ 88	40	98¼	98¾	+0½	+0¼	17.59
New Brunswick 17 88	60	101	101½	+0½	−0⅛	16.66
Newfoundland 17¼ 89	60	101⅞	102⅜	−0½	−1⅛	16.72
Nova Scotia 15 91	75	91⅞	92¼	+0⅛	−0⅜	16.67
Ohio Edison Fin. 17½ 88	75	99⅜	99⅞	+0½	+1⅛	17.58
Pacific Gas Elec. 16 88	75	100⅝	101⅛	+0⅜	+0⅜	15.73
[illegible] Int. Fin. 17 88	30	99½	100	+0⅜	−0⅜	17.01
Quebec Hydro 17¾ 91	150	100⅞	101⅜	+0⅜	+0⅜	17.00
Royal Bk. Canada 14 86	100	95⅝	96⅛	+0⅜	+0⅝	15.17
Shell Canada 15⅞ 91	100	97⅞	98⅜	+0⅜	+0⅜	16.12
Sth. California 14⅞ 88	50	93⅞	94⅜	+0⅜	+0½	16.19
Swed. Ex. Cred. 15⅜ 86	50	95⅜	96⅛	+0⅜	0	17.02
Tenneco Int. 17 89	100	102¼	102¾	+0¼	0	16.39
Toronto-Dom. Bk. 14 84	50	95⅝	95⅞	+0¼	+0⅛	16.29
Transcanada 17⅜ 86	75	102⅞	103⅜	+0⅜	−0⅜	16.91
Walt Disney 15⅜ 86	100	98⅝	99⅛	+0½	−0⅜	16.05
Wells Fargo It. 15½ 84	50	99⅝	100⅛	+0¼	+0⅜	15.43
Winnipeg 17 86	50	101⅛	101⅝	+0⅜	+0⅞	16.56
World Bank 14½ 86	500	92⅞	93¼	+0⅛	+0⅜	16.57
World Bank 16 86	210	97½	98	+0¼	−0¼	16.66
World Bank 16 88	80	96⅞	97¼	+0⅜	−0⅞	16.71
World Bank 16½ 86	130	99⅛	99⅝	+0⅜	+0⅜	16.63
World Bank 16½ 88	100	98	98½	+0⅜	−0½	16.92

Average price changes... On day +0⅜ on week +0¼

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bank 10 91	100	96⅞	97⅜	0	−0¼	10.45
Austria, Rep. of 8¾ 92	150	88	88½	+0⅛	−0½	10.05
CECA 7⅞ 92	150	85⅜	86⅛	+0¼	+0½	10.09
CECA 10 91	120	99⅝	100⅛	0	+0⅜	10.02
Cii-Honeywell 8⅜ 90	125	87⅛	87⅞	+0¼	−0⅜	10.62
Council of Europe 10 91	100	97⅛	97⅝	0	+0¼	10.41
EIB 8½ 90	200	89⅛	89⅝	+0⅜	+0⅜	10.35
EIB 10½ 91	200	99⅞	100⅜	0	−0⅛	10.44
ESCOM 9⅞ 87	100	93⅞	94⅝	−0¼	+2¼	10.65
Finland, Rep. of 10 89	100	96⅛	97	−0⅛	−0⅜	10.65
Iberduero SA 9 90	100	90⅝	91⅛	+0¼	−0¼	10.66
Ind. Bk. Finland 8½ 90	50	88⅞	89⅜	0	−0⅜	10.40
Int.-Am. Dv. Bk. 10 91	100	97⅞	98⅜	+0½	−0⅜	10.28
Japan Air Lines 8½ 87	100	93⅜	93⅞	0	+1	9.59
Japan Dev. Bk. 7⅜ 87	100	90⅞	91⅜	+0½	+1⅛	9.64
Kobe, City of 8 90	100	90	90⅝	−0⅛	+0⅜	9.68
Midland Int. Fin. 8½ 90	150	90⅝	91⅛	+0⅛	+0⅜	10.07
Nuclebras 9⅜ 88	100	88½	89⅜	−0⅛	−0⅜	12.22
OKB 8⅛ 92	150	87⅜	88½	+0⅜	+0⅜	10.11
Oslo, City of 8½ 90	80	91⅜	92¼	0	+0¼	10.20
Renault Acc. 10⅜ 86	150	98½	99	+0⅛	+0¼	11.07
Venezuela R. of 9⅜ 90	150	93⅝	94⅛	0	0	10.87
World Bank 8 90	700	86½	87¼	+0⅛	−0⅛	10.34

Average price changes... On day +0⅛ on week +0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Aeroport Paris 6½ 91	60	92⅜	93	0	+0¼	7.57
BFCE 6½ 91	100	91	91½	+0⅜	−0⅛	7.87
Bayer Int. Fin. 5¾ 92	100	88⅝	89	−0⅜	+1⅛	6.72
Belgelectric Fin 7⅜ 91	100	99⅝	100	+0⅜	0	7.76
Bergen, City of 6⅞ 91	40	96	96¼	−0½	−0⅜	7.32
CECA 6¾ 91	80	92½	93½	+0⅜	+0⅜	7.81
Dome Petroleum 5⅞ 91	100	87⅜	87⅞	0	+0⅜	7.63
Dome Petroleum 7⅜ 90	100	100⅜	101	+0⅜	+0⅝	7.11
Elet. de France 6⅝ 90	100	85½	86	−0⅛	+2⅜	7.50
Eurofima 5⅞ 92	80	88	89	0	+0¼	7.31
Finland, Rep. of 5½ 90	80	85⅛	85⅝	+0⅛	+1	7.80
Franc. Petroles 6½ 91	80	90½	90¾	+0¼	+0⅜	7.94
Genstar 7 91	100	99½	99¾	+0⅛	−0½	7.05
Int. Amer. Dv. Bk. 7 91	100	95¼	95¾	+0⅞	+2	7.65
I/S Elsam 8½ 91	30	101¾	102	+0⅛	0	8.22
Japan Dev. Bank 5⅜ 90	100	91½	92¼	0	0	6.98
Mt. Blanc Tunnel 5½ 90	60	84⅜	84⅞	+0⅜	0	7.96
Neder. Gasunie 8 91	100	103½	103¾	+0⅜	+0¾	7.47
OKB 7 93	100	97¼	97½	+0⅛	−0⅜	7.34
Oslo, City of 8 91	100	103	103¼	+0¼	+1	7.54
Swed. Ex. Credit 7⅞ 91	25	93½	93¾	−1¼	+0⅛	8.24
Trade Dev. Fin. 6½ 90	50	90	90½	0	+4	7.68
Voest-Alpine 5½ 90	80	86⅝	87	+0⅛	+0⅞	7.85
World Bank 6 91	100	88¼	88½	+0⅜	+0¼	7.80
World Bank 7 90	100	98	98⅜	−0⅜	+0¼	7.30
World Bank 8 91	100	101¼	101½	+0¼	+0⅜	7.80

Average price changes... On day +0⅜ on week +0⅜

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bk. 8⅜ 91	15	96½	97⅛	0	0	8.71
Australia 6½ 88	20	85¼	85¾	−0⅛	0	9.47
EIB 7⅜ 89	12	93⅝	94⅛	+0⅛	0	8.81
Finland 6 8 88	10	85⅝	87⅜	0	0	9.58
Finland, Rep. of 6⅞ 87	15	96	97	0	0	9.18
New Zealand 8⅜ 87	15	96⅝	97¼	−0⅛	0	9.00

Average price changes... On day 0 on week 0

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
CIBC 13½ 85 CS	50	90	91	0	0	17.19
CIBC 11½ 85 CS	60	84¼	85¼	+0¼	0	17.34
Federal Dev. 11½ 90 CS	60	†76½	77½	0	+0½	16.64
Federal Dev. 17⅜ 86 CS	40	†99¾	100¾	+1⅜	+0⅜	17.67
Fst. Can. Inv. 10 84 CS	50	†85	86	0	0	17.44
GMAC (Can.) 18 87 CS	60	†103½	104½	0	−0½	16.85
Tordom Cpn. 13½ 85 CS	30	†95	96	+1	+1½	15.14
M. Bk. Dnmk. 9 91 EUA	25	78⅝	79⅝	0	+0⅞	12.77
SOFTE 8⅜ 89 EUA	40	74½	75½	0	−0½	13.80
U. Bk. Nwy. 9½ 90 EUA	18	81	82¼	0	+0¼	13.24
Algemene Bk. 10⅜ 86 Fl	60	93⅝	94⅛	+0⅜	−0⅛	12.11
Amro Bank 12 86 Fl	75	98⅝	99¼	0	0	12.29
Heineken NV 10 87 Fl	100	92½	93	+0¼	+0⅛	11.79
Nat. Nedrlndn. 10 88 Fl	60	93¼	93¾	−0⅜	−0¼	11.49
Ned. Midd. Bk. 10 85 Fl	25	95⅛	95⅞	+0⅜	−0¼	11.44
Pierson 10⅜ 86 Fl	50	92⅝	93⅛	+0½	−0⅜	12.43
Rabobank 12 86 Fl	50	99⅝	99⅞	−0¼	−0⅜	12.14
Air France 14½ 86 FFr	200	91½	92½	0	+0⅜	17.11
Bk. America 14½ 86 FFr	250	91½	92½	−0⅛	+0⅞	17.03
Charb'nages 13⅞ 85 FFr	400	90⅞	91⅞	0	−0⅜	16.90
EIB 14⅜ 88 FFr	300	86⅜	87⅜	0	−0⅛	17.62
La Redoute 14⅜ 85 FFr	125	89¾	90¾	−0¼	+0¼	17.84
OKB 14 86 FFr	400	90⅞	91⅞	0	0	16.91
Solvay et C. 14⅜ 86 FFr	200	90⅜	91⅜	0	0	17.83
Swed. E. Cr. 14⅜ 86 FFr	250	89⅝	90⅝	0	+0⅜	17.93
U. Mex. Sts. 14 85 FFr	150	91	92	−0⅜	−0¼	17.27
Acena 14 85 £	20	88⅞	89⅞	0	−0½	17.85
Beneficial 14¼ 90 £	20	79½	80¼	−0½	−0⅝	19.04
BNP 13½ 91 £	15	82	82⅜	−0⅛	−1⅛	17.44
CECA 13½ 88 £	20	83⅞	84⅜	−0⅜	−1	17.58
Citicorp O/S 13½ 90 £	50	85⅝	86	0	−0⅜	16.80
Fin. Ex. Cred. 13¾ 86 £	15	88⅜	89⅝	0	−1	17.52
Gen. Elec. Co. 12½ 89 £	50	82¼	83	0	−0⅞	16.71
Hiram Walker 14¼ 86 £	25	89⅝	90⅛	0	−0⅝	17.66
Privatbanken 14½ 88 £	12	88⅜	89⅜	0	−1¼	17.46
J. Rothschild 14⅜ 90 £	12	87⅞	88⅜	−0⅜	−0¼	16.87
Royal Trustco 14 86 £	12	89⅜	90⅛	−0¼	−1	17.48
Swed. Ex. Cr. 13⅜ 86 £	20	87⅞	88⅝	−0¼	−0⅞	17.74
Akzo 9⅜ 87 LuxFr	500	85⅝	86⅝	+0⅛	+0½	12.70
Euratom 9⅜ 88 LuxFr	500	87¼	88¼	0	+0⅜	12.70
Eurofima 10½ 87 LuxFr	500	89¼	90¼	−0⅛	+0¼	13.07
EIB 9¼ 88 LuxFr	600	83½	84½	0	−0⅜	13.70
Volvo 9⅜ 87 LuxFr	500	84⅜	85⅜	0	+0⅜	13.55

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Bank of Montreal 5¼ 90	0¼	99⅛	99⅝	18/12	16½	16.86
BBL Int. 5 86	0¼	99¾	100¼	20/11	18.31	18.31
BFCE 5¼ 88	0¼	99¼	99¾	25/4	16.94	17.03
BNP 5½ 88	‡0⅛	99⅝	100⅛	29/1	16⅜	16.77
Christiana Bk. 5½ 91	‡0¼	98⅝	99⅛	5/11	19.19	19.41
Co-Ban Eurofin 5½ 91	0¼	98⅜	98⅞	14/4	16.69	16.96
Co-operative Bk. 6 86	0¼	99⅛	99⅝	15/11	19.56	19.69
Den Norske Credit 6 90	‡0¼	†99	99½	5/11	19.19	19.33
Genfinance 5¾ 87	0¼	99⅝	100⅛	30/4	17.06	17.08
Genfinance 5¼ 92	0¼	99½	100	30/12	18.31	18.36
Giro und Bank 5¾ 91	‡0⅜	99⅜	99⅞	23/12	17½	17.61
GZB 5¼ 92	‡0¼	98⅞	99⅜	5/12	17¼	17.40
Ind. Bank Japan 5¼ 88	0⅛	99⅜	99⅞	9/4	16⅝	16.69
Lloyds Eurofin 8 90 £	0⅛	96⅞	97⅜	6/1	13⅞	14.05
Lloyds Eurofin 5¼ 92	0¼	99	99½	4/12	17.44	17.57
Lloyds Eurofin 5¼ 93	0¼	98⅞	99⅜	29/4	17.13	17.28
LTCB Japan 5½ 86	0⅛	99⅝	100⅛	13/12	17¼	17.25
LTCB Japan 5½ 89	0⅛	99¾	100¼	16/1	18.32	18.32
Man. Hanov. O/S 5¼ 94	‡0⅛	99⅝	100⅛	30/11	19⅜	19.38
Midland Int. Fin. 5¼ 92	0¼	99⅛	99⅝	5/12	17⅜	17.46
Midland Int. Fin. 9 91	0¼	99	99½	30/4	17.06	17.19
Nacional Fin. 5½ 88	0⅜	98	98½	25/3	17.31	17.62
Nat. Bk. Canada 5¼ 88	0⅛	99½	99⅞	24/3	17.31	17.38
Nat. West. Fin. 5¼ 91	§0⅛	99¼	99¾	15/1	18⅛	18.22
Nat. West. Fin. 5¼ 92	§0¼	99	99½	23/4	17	17.13
Pemex 6 91	0¼	97⅝	98¼	8/4	17	17.27
Pemex 5¼ 88	0¼	†97¼	98¼	14/2	18.81	19.20
Sanwa Int. Fin. 5¼ 88	0⅛	†99⅜	99⅞	24/3	17¼	17.31
Societe Generale 5¼ 91	0¼	†99	99½	22/1	18⅝	18.77
Sparebanken 6 87	0¼	99⅛	99⅝	19/12	16.81	16.96
Svenska Hndlsbk. 5 87	0¼	99¾	100¼	15/1	18⅛	18.13

Average price changes... On day +0⅛ on week +0⅛

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 5¼ 96	7/81	933	87	88½	−0½	0.33
Bow Valley Inv. 8 95	4/81	23.12	95⅜	96⅜	0	39.77
Canon 6¾ 95	1/81	829	114½	116½	+0¼	5.42
Daiwa Secs. 5½ 96	12/81	539	†73½	75½	−0½	2.09
Fujitsu 4½ 96	10/81	6770	98⅝	100⅛	−0⅛	9.25
Furukawa Elec. 5¼ 96	7/81	300	106⅜	107⅜	+0⅜	6.77
Hanson O/S Fin. 9½ 96	8/81	2.74	†84	85	+1	−1.13
Hitachi Cred. Cpn. 5 96	7/81	1966	84⅜	86½	−0⅜	16.69
Inchcape 8 95	2/81	4.55	54¼	56¼	+1¼	30.11
Kawasaki 5¼ 96	9/81	229	85⅜	87¼	−0¼	9.81
Marui 6 96	7/81	991	88⅜	89⅝	−2⅜	0.76
Matsushita El. 7½ 95	11/80	590	80⅜	82½	+1⅛	2.14
Minolta Camera 5 96	10/81	909	70½	72	0	15.33
Murata 5¼ 96	7/81	2190	84½	86	0	3.34
NKK 6½ 96	7/81	168	92	93½	+0⅜	−4.65
Nippon Chemi-C. 5 91	10/81	919	80	82	0	1.35
Ricoh 6⅜ 95	8/80	604	116½	118½	−0½	1.66
Sanyo Electric 5 96	10/81	652	83⅜	85⅛	−1½	12.51
Sumitomo Met. 5¼ 96	10/81	305	85	86½	+0⅞	9.74
Swiss Bk. Cpn. 6⅜ 90	9/80	200	71	73	0	18.89
Taylor Woodrow 8⅜ 90	1/81	4.94	†70	71	−2	−6.42
Transco Int. 8¼ 95	2/81	68	76½	78	+1½	27.72
Tricorp 8½ 95	12/80	31.25	68¼	69¼	+0¼	25.91
Union Bk. Switz. 5 89	2/80	70.79	77½	79½	0	8.67
Sharp Cpn. 6⅜ 86 DM	9/80	591.8	165½	166½	−3⅛	−2.73
Uny Co. 6½ 85 DM	11/79	879.3	102	103	0	2.73

EUROBOND TURNOVER

(nominal value in $m)

	Cedel	Euro-clear
U.S. $ bonds		
Last week ...	3,858.4	5,674.7
Previous week	3,065.8	5,766.7
Other bonds		
Last week ...	863.5	437.0
Previous week	749.1	363.6

* No information available—previous day's price.

† Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the mid-price: the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month *offered rate* (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The list shows the 200 latest international bonds for which an adequate secondary market exists. The prices over the past week were supplied by: Kredietbank NV; Credit Commercial de France; Credit Lyonnais; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Union Bank of Switzerland; Akroyd and Smithers; Bankers Trust International; Credit Commercial de France (Securities) London; Citicorp International Bank; Daiwa Europe NV; Deltec Securities (UK); EBC; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Manufacturers Hanover; Merrill Lynch; Morgan Stanley International; Nikko Securities Company (Europe); Orion Royal Bank; Salomon Brothers International; Samuel Montagu and Co.; Scandinavian Bank; Societe Generale Strauss Turnbull; Sumitomo Finance International; S. G. Warburg and Co.; Wood Gundy.

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Unit Stage - Versatile Staging Systems
David Bray Engineering Ltd.
55 Allen Road
Hedge End
Southampton
Tel. Southampton (0703) 462525
Sales and Hire Available

V

Vehicle Rustproofing
Zebart (GB) Ltd.
Zebart House
Dominion Way
Worthing
Sussex
Tel 0903 204171
Vehicle Finish, Industrial, Paint & Garage Equipment Distributors
Movac Group Ltd.
1 Portman Road
Ipswich
Tel. (0473) 213763
Vending Machines
Moyer Diebel (UK) Ltd.
753 Deal Avenue
Slough SL1 4SH
Tel 75 72243
Telex 847950
Vending Machine Manufacturers & Distributors
Eurobev Ltd.
339 Yorktown Road
College Town
Camberley
Surrey
Tel: 0276 33231
Ventilating & Air Conditioning Equipment
Waterloo Grille Co. Ltd.
14 Parsons Road
Manor Trading Estate
Benfleet
Essex SS7 4PT
Tel: 037 45 4121
Telex: 99324
Vesticular & Diazo Micro-Film Manufacturers
Bexford Ltd.
Brantham
Manningtree
Essex
Tel. (020639) 2424
Telex 98226
Veteran & Vintage Cars
Stephen Langton Ltd.
Littleton House
Flanchford Road
Reigate Heath
Surrey
Tel: (07372) 41992

Video Production House
Patrick Burfield Projects London
International Press Centre
76 Shoe Lane
London EC4 3BQ
Tel: 01-583 4830 or 353 0186
Telex: 23862
Video Viewers
Video Viewers
82 Layburne Road
(Mail Order)
Dover
Kent
Tel: 0304 207019
1 New Street
(Retail)
Dover
Kent
Vintage Radiator Specialists
Great Western Radiators Ltd.
Shepherds House Lane
London Road
Earley
Reading RG6 1AF
Tel: 0734 62671
Video
Video Film Centre
Head Office:
153 Victoria Street
St. Albans
Herts
Tel: (56) 51530
38 High Street
Hemel Hempstead
Herts
Tel (0442) 63222
59 Fore Street
Hertford
Herts.
Tel: (0992) 53791
102 Shenley Road
Borehamwood
Herts
Tel: (01) 953 1068
Video Dealers
Home Video Supplies Ltd.
13 Shepherd Market
London W1
Tel: 01-493 4235
Video Equipment
Video Care (Wales) Ltd.
12 Cowbridge Road
Pontyclun
Mid Glamorgan
Wales
Tel: 0443 225482
The Square
26 De Winton Street
Tonypandy
Mid Glamorgan
Wales
Tel: 0443 430510
Vibration & Noise Control Specialists
Isolated Systems Ltd.
Adams Close
Heanor Industrial Estate
Heanor
Derbyshire DE7 7GX
Tel. 07737-61226
Telex. ISOSYS G 37477

W

Warehousing
Ellerpack Warehousing
Clayton Lane
Thurnscoe
Near Rotherhame
Tel. 0709 893007
Waste and Clearance (Factory)
Cabot Waste Service
59 Thanet Road
Bristol 3
Avon
Tel 0272 661615/827939
Waste Disposal
Carter Bros. (P.H.) Ltd.
Merton Abbey Goods Yard
Christchurch Road
London SW19
Tel. 01-543 2874/0539
Waste Paper
Penistone Paper Services Ltd.
Sheffield Road
Penistone
Sheffield S30 6HH
Tel 0226 763472
Telex. 547478
Water & Waste Water Treatment
A.W.S. Delts Ltd.
Hillbottom
Sands
High Wycombe
Bucks HP12 4HJ
Tel: 0494 446435
Telex: 837249 AWSDEL G
Web Offset and Sheetfed Printers
Collier Searle Ltd.
Unit 1
Britannia Way
Coronation Road
London NW10 7PW
Tel: 01-965 0921
Telex: 264977
Weighing Machines (Electronic Balances)
Sartorius Instruments Ltd.
18 Avenue Road
Belmont
Surrey
Tel 01-642 8691
Telex 946918
Wholesale Hardware, Fancy Goods & Toys
Derby Street Wholesale Cash & Carry
Almel House
Camberwell Street
Off Derby Street
Manchester M8 8HD
Tel 061 834 7852
Wholesale Jewellers
Cha Cha Dum Dum
7 Young Street
Kensington High Street
London W8 5ED
Tel. 01-937 4079/4169
Windows & Kitchens
Cleveland Windows — Cleveland Kitchens
161 Linthorpe Road
Middlesborough
Cleveland
Tel 0642 242506
Windows/Patio Doors - Aluminium Replacements
Nuvu Home Improvements
Queens Road East
Beeston
Nottingham
Tel. 0602 225752/225811
Wine Importers
Pieroth
S C M House
Stonebridge
North Circular Road
London NW10
Tel 01-965 6977
Wine Spirits
George Edwards Wines & Spirits Ltd.
298 Haunch Lane
Kings Heath
Birmingham
West Midlands B13 0QS
Tel 021 444 8166
Wine and Spirit Importers and Distributors
D & F Portuguese Wine Ltd.
94 Gloucester Place
London W1
Tel 01-486 8181
Telex: 298011
Wire Wound Resistors
Ashburton Resistance Co. Ltd.
Three Milestone Industrial Estate
Truro
Cornwall TR4 9LG
Tel 0872 77431
Telex 45453
Suppliers of power rheostats, turns, counting dials and heat sinks.
Wood Flour Manufacturers
Wood Treatment Limited
Bosley
Near Macclesfield
Cheshire SK11 0PE
Tel. 02603 284/5/6 421
Telex 669002
Woodworm, Dry Rot and Damp Proofing Specialists
Richardson & Starling Ltd.
143 Millbrook Road
Southampton
Hants SO1 0HQ
Tel: 0703 26076
Wools Tapestry Embroidery Shop
The Workbox
4 Church Street
Inverness 1O1 1EA
Tel 0463 30024
Word Processing
A.E.S. Data (UK) Ltd.
27 Fitzroy Street
London W1
Tel: 01-637 6065
Telex: 25706

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY
COMPANY MEETINGS—
Armstrong Equip., Park Lane Hotel, Piccadilly, W, 12.00
Estates Prop. Inv., Armourers Hall, 31, Coleman Street, EC, 12.00
GT Japan Inv., Winchester House, 100, Old Broad Street, EC, 12.00
[illegible], Grand Hotel, [illegible] Street, Manchester, 12.00
BOARD MEETINGS—
Finals:
[illegible]
Yarrow
Interims:
Greig Shipping
Rodner
DIVIDEND & INTEREST PAYMENTS—
[illegible]

TOMORROW
COMPANY MEETINGS—
[illegible]
BOARD MEETINGS—
Finals:
Marchiel
[illegible]
Interims:
Clarke (Clement)
Continental and Industrial Tst.
Ellis and Goldstein
Great Portland Estates
Hartwells
Reed Intnl.
Roberts Adlard
Scottish
Skotchley
Tozer Kemsley and Millbourn
DIVIDEND & INTEREST PAYMENTS—
[illegible]

WEDNESDAY NOVEMBER 4
COMPANY MEETINGS—
[illegible]

Gro Lotus Car, Lotus Cars, Nethel, Norwich, [illegible]
BOARD MEETINGS—
Finals:
MTD (Mangula)
North British Properties
[illegible] Industrial Invs.
Tyzack (W. A.)
Interims:
Amalgamated Inv Tst.
Feeney Agricultural Inds.
Fidelity Radio
London Tst.
Mountview Estates
Panto (P.)
Sainsbury (J.)
Sheffield Brick
Usher-Walker
DIVIDEND & INTEREST PAYMENTS—
American Medical Intnl Inc 19 Scts
Bowater 4.25p
Trench Mines Malaysia 1.42129p

THURSDAY NOVEMBER 5
COMPANY MEETINGS—
[illegible]
BOARD MEETINGS—
Finals:
Burndene Invs.
Wemyss Inv
Interims:
[illegible]
Boot (Henry)
British Inv. Tst.
Cooper-Neill
Guardian Inv. Tst.
Hambros Inv. Tst.
Hammerson Property and Inv. Tst.
Intnl. Thomson Org.
[illegible]
Wace
DIVIDEND & INTEREST PAYMENTS—
Albany Inv Tst 0.6p
Amalgd Metal 2p
[illegible]
Brit Aerospace 3p
Bromsgrove Castings and Machining 1.5p
[illegible]
Ernest Lighting 4p
Harmony Gold Mining 70.63873p
[illegible]
Metal Closures 2.2p
Pearson Longman 3.75p
Pearson (S.) and Sons 3.75p
[illegible]
Travis and Arnold [illegible]
Walker (Thomas) [illegible]

FRIDAY NOVEMBER 6
COMPANY MEETINGS—
Advest Grp., Intercontinental Hotel, Hamilton Place, W, 12.00
Bristol Channel Ship Repairers, Channel Dry Dock, Cardiff, 11.30
City of Aberdeen Land Assn., Station Hotel, Guild Street, Aberdeen, 12.30
Paradise (B.), Tower Hotel, St Katherine's Way, E, 12.00
Second City Properties, Birmingham Metropole, NEC, Birmingham, 11.00
BOARD MEETINGS—
Finals:
Herman Smith
Town Centre Securities
Ulster Television
Interims:
Era Inds.
Fortnum and Mason
Grampian Television
Scottish Ontario Inv.
DIVIDEND & INTEREST PAYMENTS—
Arndale Prop Tst Ln 3.875pc
Assoc Brit Foods 1.625pc
Brit Empire Secs and Gen Tst 0.48p
Brixton Est Db 3.875pc
Brooke Bond Liebig Ln 3.5pc
Burton Grp 3.5pc
Cadbury Schweppes Ln 4.125pc
Carpets Intnl Db 4.125pc, Do Ln 4.125pc
City of Aberdeen Land Assn 3.75p
Cons Gold Fields 16p
Courtaulds 6pcPf 2.1pc, Do Ln 3½, 3¾pc
Cray Electronics 1.62p
Delta Grp Db 5.375pc
Distillers Ln 2.625pc
Eleco Hldgs Db 3.75pc
Firmin and Sons 1p
Hall Eng Hldgs 3.41p
Home Counties Newspapers 1.75p
Hurst (Charles) Db 3.75pc
McLaughlin and Harvey 1.8p
Metal Box Ln 5.25pc
Refuge Assurance 4.5p
Saville (J.) Gordon Grp 2.4095p
Tarmac 5.8p
Tilling (Thomas) Ln 4.25pc
Transport Dev Grp 1.45p
Walker (James) Goldsmith and Silversmith Ord and N-Vtg Ord 3p
Whitbread Ln 3.625p

SATURDAY NOVEMBER 7
COMPANY MEETINGS—
Bluebird Confectionery, Hunnington, Halesowen, W Midlands, 11.00
DIVIDEND & INTEREST PAYMENTS—
BA Grp Db 5pc
BLMC 3.625pc
Blue Circle Ind 5.125pc
Bluebird Confectionery 2.9p
Burroughs Con 65cts
Cowie (T.) Ln 5pc
Grippeirrods Hldgs 3.675p
Thorn EMI Ln 2½, 3½, 3¾, 4¼pc
Waterford Glass 0.8p

SUNDAY NOVEMBER 8
DIVIDEND & INTEREST PAYMENTS—
Thomas Grp Ln 5.75pc

BASE LENDING RATES

A.B.N. Bank 15½%	■ Guinness Mahon 15½%
Allied Irish Bank 15½%	■ Hambros Bank 15½%
American Express Bk. 15½%	Heritable & Gen. Trust 15½%
Amro Bank 15½%	■ Hill Samuel .... §15½%
Henry Ansbacher 15½%	C. Hoare & Co. .... †15½%
■ Arbuthnot Latham ... 15½%	Hongkong & Shanghai 15½%
Associates Cap. Corp. 16 %	Knowsley & Co Ltd. ... 16½%
Banco de Bilbao 15½%	Langris Trust Ltd. ...... 16 %
BCCI .... 16 %	Lloyds Bank 15½%
Bank of Cyprus 15½%	Mallinhall Limited ... 15½%
Bank of N.S.W. .... 16 %	Edward Manson & Co. 17 %
Banque Belge Ltd. ... 16 %	Midland Bank 15½%
Banque du Rhone et de la Tamise S.A. ...... 16 %	■ Samuel Montagu 15½%
	■ Morgan Grenfell ...... 16 %
Barclays Bank 15½%	National Westminster 15½%
Beneficial Trust Ltd.... 16½%	Norwich General Trust 15½%
Bremar Holdings Ltd. 16½%	P. S. Refson & Co. 15½%
Bristol & West Invest. 17 %	Roxburghe G'tee Cpn. 16 %
Brit. Bank of Mid. East 15½%	*E. S. Schwab.* .... 16 %
■ Brown Shipley .... 16 %	Slavenburg's Bank ... 15½%
Canada Perm't Trust... 16 %	Standard Chartered ... 15½%
Cayzer Ltd. .... 16 %	Trade Dev. Bank 15½%
Cedar Holdings .... 16 %	Trustee Savings Bank 15 %
■ Charterhouse Japhet... 16 %	TCB Ltd. 15½%
Choulartons .... 16 %	United Bank of Kuwait 15½%
Citibank Savings ......¶15 %	Whiteaway Laidlaw ... 16 %
Clydesdale Bank 15½%	Williams & Glyn's ... 15½%
C. E. Coates .... 16 %	Wintrust Secs. Ltd. ... 15½%
Consolidated Credits... 16 %	Yorkshire Bank 15½%
Co-operative Bank *15½%	■ Members of the Accepting Houses Committee.
Corinthian Secs. 15½%	* 7-day deposits 14%, 1-month 14.25%. Short term £8,000/12 months 16.60%.
The Cyprus Popular Bk. 15½%	
Duncan Lawrie 15½%	
Eagil Trust 15½%	† 7-day deposits on sums of £10,000 and under 13½%, up to £50,000 14% and over £50,000 14½%.
E. T. Trust Limited ... 16 %	
First Nat. Fin. Corp... 18 %	
First Nat. Secs. Ltd. ... 18 %	‡ Call deposits £1,000 and over 13½%.
Robert Fraser .... 16 %	§ Demand deposits 14%.
Antony Gibbs 15½%	¶ 21-day deposits over £1,000 15%.
Grindlays Bank ....‡15½%	¶ Mortgage base rate.

GLC launches flood campaign

AN APPEAL to everyone who lives or works in London to make sure they know what to do if the Thames floods is being made by the Greater London Council in its biggest-ever flood warning campaign.

Using last year's successful drowned rag doll symbol, the £180,000 campaign will continue until the middle of January.

Television and radio announcements, posters in public places and advertisements on buses and tubes will remind Londoners of the flood danger this winter and urge them to ensure they know their drill. There will also be a cinema commercial for London's Hindustani-speaking community.

Guernsey drive to sell flowers

RESPONSIBILITY for an £85,000 campaign to promote sales of Guernsey flowers on the UK markqet next year is to be shared between a locally-based and a London agency, the island's Horticultural Committee announced yesterday.

The London public relations firm Leedex, which already acts for the Guernsey Tomato *Marketing Board*, will handle publicity and promotion on the mainland, while a Guernsey agency will be responsible for graphic design and advertising.

The campaign is linked with a quality bonus scheme under which Guernsey growers supplying flowers to accepted grading standards will receive £360,000 in bonus payments over the next 12 months.

LOCAL AUTHORITY BOND TABLE

Authority (telephone number in parentheses)	Annual gross interest	Interest payable	Minimum sum	Life of bond
	%		£	Year
Knowsley (051-548 6555)	14¼	½-year	1,000	1-3

NOTICE TO HOLDERS OF

MATSUSHITA ELECTRIC INDUSTRIAL CO., LTD.
(Matsushita Denki Sangyo Kabushiki Kaisha)

6¾% CONVERTIBLE DEBENTURES DUE NOVEMBER 20, 1990

Pursuant to Section 3.06 of this Company's Indenture dated as of November 20, 1975 under which the above Debentures were issued, notice is hereby given as follows:

1. On October 22, 1981, the Board of Directors of the Company resolved to make a free distribution of shares of the Company's Common Stock to shareholders of record as of November 20, 1981 in *Japan (November 19 in New York City)*, at the rate of 1 new share for each 10 shares held.

2. Accordingly, the conversion price at which the above-mentioned Debentures may be converted into shares of Common Stock of the Company will be adjusted effective immediately after such record date. The conversion price in effect before such adjustment is Yen 494.90 per share of Common Stock, and the adjusted conversion price will be Yen 449.90 per share of Common Stock.

MATSUSHITA ELECTRIC INDUSTRIAL CO., LTD.
By: The Bank of Tokyo Trust Company as Trustee

November 2, 1981

WORLD STOCK MARKETS

NEW YORK

CANADA

HOLLAND

NORWAY

ITALY

SWEDEN

SWITZERLAND

GERMANY

AUSTRALIA

HONG KONG

JAPAN

SOUTH AFRICA

BRAZIL

TEL AVIV

SINGAPORE

FRANCE

AUSTRIA

BELGIUM/LUXEMBOURG

DENMARK

Financial Rand US$0.75 (Discount of 27⅞%)

Indices

NEW YORK —DOW JONES

	Oct. 30	Oct. 29	Oct. 28	Oct. 27	Oct. 26	Oct. 23	1981 High	1981 Low	Since Cm'pil't' High	Since Cm'pil't' Low
♦Industr'ls	862.55	842.95	857.61	858.38	830.96	837.98	1024.05 (27/4)	824.01 (25/9)	1051.70 (11/1/73)	41.22 (2/7/32)
H'me Bnds.	56.00	55.48	55.52	55.19	55.51	55.78	65.78 (15/1)	54.89 (1/10)	—	—
Transport.	375.69	370.22	374.60	370.35	366.17	387.18	447.58 (16/4)	355.48 (25/9)	447.58 (16/4/81)	12.26 (8/7/32)
Utilities	106.85	104.63	104.80	104.61	103.45	105.19	117.81 (5/1)	101.28 (28/9)	165.32 (20/4/69)	10.5 (28/4/42)
TradingVol 000-†	56,660	40,070	48,100	53,030	38,210	41,890	—	—	—	—

♦Day's high 854.83. low 826.96.

	Oct. 23	Oct. 16	Oct. 9	Year ago (approx)
Ind. div. yield %	6.58	6.46	6.30	5.71

STANDARD AND POORS

	Oct. 30	Oct. 29	Oct. 28	Oct. 27	Oct. 26	Oct. 23	1981 High	1981 Low	Since Cmpil't'n High	Since Cmpil't'n Low
Indust'ls	135.06	132.87	133.37	133.26	132.80	132.52	157.82 (6/1)	128.49 (24/9)	160.96 (28/11/80)	3.52 (30/6/32)
Composite	121.89	119.06	119.45	118.29	118.18	118.60	138.12 (6/1)	115.01 (24/9)	140.52 (28/11/80)	4.40 (1/6/32)

	Oct. 28	Oct. 21	Oct. 14	Year ago (approx)
Ind. div. yield %	5.54	5.37	5.33	4.55
Ind. P/E Ratio	8.14	8.20	8.11	8.86
Long Gov. Bond yield	14.70	14.63	14.08	12.25

N.Y.S.E. ALL COMMON

Oct. 30	Oct. 29	Oct. 28	Oct. 27	1981 High	1981 Low
70.64	69.09	69.34	69.30	79.14 (6/1)	64.96 (25/9)

Rises and Falls

	Oct. 30	Oct. 29	Oct. 28
Issues Traded	1,900	1,895	1,874
Rises	1,205	572	833
Falls	362	879	614
Unchanged	333	444	427
New Highs	43	20	37
New Lows	48	57	40

MONTREAL

	Oct. 30	Oct. 29	Oct. 28	Oct. 27	1981 High	1981 Low
Industrials	314.92	315.87	318.69	320.79	409.66 (27/5)	310.21 (25/9)
Combined	299.31	297.29	300.66	302.08	375.23 (13/8)	293.97 (25/9)
TORONTO Composite	1842.6	1828.5	1853.7	1865.1	2378.6 (10/4)	1812.48 (25/9)

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Citicorp	2,294,400	29¼	+ 1⅞
Am. Hme. Prd.	935,000	36⅞	+ ¾
IBM	873,200	57½	+ 2½
South. Royal	862,680	30⅞	+ 1⅞
Santa Fe Int.	734,600	44½	+ ¼
Mid-So. Utl.	695,700	12⅝	+ ⅛
Exxon	682,900	30⅞	− ⅛
General Motors	681,400	36½	+ ¾
Texas Utilities	630,300	20⅝	+ ¼
Diamond Sham.	584,100	38	+ 1⅛

	Oct. 30	Oct. 29	Oct. 28	Oct. 27	1981 High	1981 Low
AUSTRALIA						
All Ord. (1/1/80)	549.1	545.8	556.0	556.2	737.5 (6/4)	545.6 (23/10)
Metal & Minrls (1/1/80)	419.0	410.6	426.9	427.9	735.2 (7/1)	419.9 (29/10)
AUSTRIA						
Credit Aktien (2/1/62)	54.41	54.45	54.48	54.58	56.43 (5/1)	53.54 (15/10)
BELGIUM						
Belgian SE (31/12/63)	72.01	72.15	71.61	71.75	96.15 (17/2)	69.53 (15/6)
DENMARK						
Copenhagen SE (1/1/73)	118.59	116.22	118.29	117.12	119.00 (23/9)	95.35 (2/1)
FRANCE						
CAC General (28/12/61)	88.60	88.5	88.7	89.6	112.5 (17/3)	77.3 (15/6)
Ind Tendance (31/12/80)	95.40	95.5	95.8	95.9	103.5 (10/3)	75.2 (12/6)
GERMANY						
FAZ-Aktien (31/12/58)	220.01	220.75	221.93	215.65	245.47 (5/7)	215.99 (9/2)
Commerzbank(Dec1953)	674.0	675.5	681.5	668.6	749.0 (5/7)	656.4 (15/2)
HOLLAND						
ANP-CBS General (1970)	81.70	82.5	82.9	82.9	86.6 (20.5)	73.5 (23/9)
ANP-CBS Indust (1970)	61.50	62.4	63.3	63.2	75.4 (22/6)	61.5 (30/10)
HONG KONG						
Hang Seng Bank (31/7/64)	(c)	1281.71	1270.26	1251.54	1810.20 (17/7)	1115.77 (5/10)
ITALY						
Banca Comm Ital (1972)	184.96	184.07	192.41	187.43	293.03 (2/6)	166.44 (24/7)
JAPAN**						
Dow Average (16/5/49)	7449.45	7428.25	7521.98	7280.58	8019.14 (17/8)	6956.52 (15/3)
Tokyo New SE (4/1/68)	549.54	548.21	541.56	539.22	603.92 (17/8)	495.79 (3/1)
NORWAY						
Oslo SE (1/1/72)	132.72	131.46	130.55	130.74	145.79 (6/9)	110.54 (5/5)
SINGAPORE						
Straits Times (1966)	635.86	634.36	636.54	636.52	973.26 (26/6)	615.26 (1/5)
SOUTH AFRICA						
Gold (1958)	—	656.8	671.4	656.8	787.6 (7/1)	475.2 (3/7)
Industrial (1958)	—	691.1	694.0	633.7	709.4 (21/10)	637.0 (3/2)
SPAIN						
Madrid SE (30/12/80)	127.80	125.17	124.80	127.02	146.15 (6/5)	100.42 (2/1)
SWEDEN						
Jacobson & P. (1/1/58)	592.23	594.77	585.17	576.27	650.31 (10/9)	404.17 (20/1)
SWITZERLAND						
SwissBankCpn. (31/12/58)	246.20	246.0	248.3	247.4	304.2 (2/4)	245.3 (26/10)
WORLD						
Capital Intl. (1/1/70)	—	137.6	137.7	135.9	152.5 (6/1)	135.5 (28/9)

Base values of all indices are 100 except Australia All Ordinary and Metals—500; NYSE All Common—50; Standard and Poors—10; and Toronto—1,000; the last named based on 1975. † Excluding bonds. ‡ 400 industrials. § 400 industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

Companies and Markets **INTL. COMPANIES & FINANCE**

$3.4BN BID FOR MARATHON

Mobil well armed and confident

BY PAUL BETTS IN NEW YORK

"MOBIL wants to be the biggest shark in the sea and probably is."

Mr Bruce Lazier, an oil-industry analyst, was echoing the general sentiment on Wall Street this weekend, after Mobil announced on Friday a $3.4bn bid for two-thirds of Marathon Oil, one of the top 20 U.S. oil companies.

Mobil took Wall Street by surprise by the speed of its move. It immediately sparked off a new takeover fever in the stock market, sending the Dow Jones blue chip index shooting up nearly 20 points, for its biggest gain in months. The bid itself was no surprise.

This is the fourth time in two years Mobil, the second-largest U.S. oil company, has gone after a major acquisition of U.S. oil and gas assets. It lost out to Shell Oil for Belridge; it was thwarted by Sun for the U.S. oil and gas assets of Seagram; and only last summer it was beaten by Du Pont in the battle for Conoco. Mobil, in part because of its aggressive character, and in part because of its need to increase its domestic U.S. reserves, has never shown signs of giving up. Indeed, with every setback, it seems to have become more determined finally to pull off a big deal.

It will probably take much more than the $5bn credit line it negotiated last summer and a flurry of anti-trust litigation for Marathon to fight Mobil off. This time, there is a tremendous amount of prestige at stake for Mobil. Its credibility would clearly take a beating if it were to lose yet another takeover contest.

But it is not just a question of credibility. Mobil, if successful, would by the Marathon acquisition add some 683m barrels of domestic U.S. reserves to the 890m barrels it already has.

For some time, Mobil has been seeking to build up a stronger inventory of domestic reserves. Other U.S.-based international oil companies have been doing likewise, notably Texaco and Gulf Oil—two companies which could well be drawn into a bidding war for Marathon.

When it tried to buy Conoco, Mobil made numerous strategic errors which allowed Du Pont, with a lower bid, to win the $7.6bn takeover battle for the country's ninth largest oil company. This time, Mobil seems to have got its act together. Most analysts on Friday said it had made a very smart move.

Mobil is going into battle with the advantage of surprise and speed. It has a $6bn line of credit and an additional $2bn in cash and securities with which to intimidate even the biggest of possible rival bidders.

More significantly, Mobil appears confident it will encounter only minor anti-trust obstacles in its latest efforts to take over a large U.S. oil company.

Last summer, Mobil lost out to Du Pont in the Conoco battle largely because of fears that its higher bid might be blocked by the anti-trust authorities. Mobil, in a race against the clock, failed to win a ruling—one way or another—from the Justice Department, giving Du Pont the edge.

But last Wednesday, Mr William Baxter, head of the Justice Department's anti-trust division, told the U.S. Senate Judiciary Committee that his review of Mobil's offer for Conoco had examined 20 or more products and regional markets in which the two oil companies competed. He had found "very few which had a high level of concentration." This seems to have given Mobil the cue to make its initial bid for Marathon two days later.

Mobil has already filed papers with both the Justice Department and the Federal Trade Commission on its latest offer. It has also begun legal action in several states in an effort to block any attempt by Marathon to delay the bid by invoking takeover statutes in states where it has large operations. There also appear to be far fewer areas where Mobil's and Marathon's markets overlap than was the case with Conoco.

This is not to say that Mobil will not find itself drawn into a major struggle for Marathon. But the chances of any other bidders beating Mobil this time appear at this early stage in the game to be remote.

Wah Kwong well ahead

BY OUR HONG KONG CORRESPONDENT

AFTER-TAX PROFITS of Wah Kwong Properties, a medium-sized Hong Kong property group, increased by 138 per cent to HK$117.65m (U.S. $19.94m) for the year ended June 30.

An extraordinary item of HK$2.53m brought profit attributable to shareholders to HK$120.17m—86 per cent higher than the previous year's HK$61.16m.

Mr Cecil Chao, the managing director, said that he was looking forward to another good year in fiscal 1982 and expressed cautious optimism that the present downturn in the property market would be short-lived.

A final dividend of 7 cents a share is recommended to take the total to 12 cents, an increase of 32 per cent after adjusting for last year's one-for-ten scrip issue. There is also to be another one-for-ten scrip issue and scrip alternative is being offered to the dividend.

Uddeholm falls into red

BY WESTERLY CHRISTNER IN STOCKHOLM

UDDEHOLM, the Swedish special steel and power generating group, posted a pre-tax loss of SKr 262m ($47.2m) in the first eight months of this year against a SKr 55m profit in the comparable 1980 period. Group sales deteriorated by 13 per cent to just over SKr 2bn ($365.2m).

A deficit before taxes of roughly SKr 143m is forecast for the full year, the same as the operating loss after depreciation for the first eight months. Earnings for 1980 reached SKr 63m on sales of SKr 3.57bn.

A break-even result is predicted for the four remaining months of this year, due to continuing consolidation measures, price increases for stainless steel within the Common Market and a slight rise in output as well as the beneficial effects of the September 10 per cent krona devaluation.

CURRENCIES, MONEY and GOLD

Interest rates hold the key

BY COLIN MILLHAM

Sterling received a boost towards the end of last week as U.S. interest rates eased and the decision of the Organisation of Petroleum Exporting Countries to reunify prices at a base level of $34 a barrel led to prospects of higher revenues from North Sea oil.

On the other hand the news from BL and the latest survey by the Confederation of British Industry were hardly encouraging, but perhaps none of this was surprising including the Opec agreement.

The market is much more concerned about interest rates, and this was illustrated by the performance of the pound against the dollar, compared with its movement against Continental currencies.

Sterling gained about 4 cents against the dollar from Monday to Friday, but lost ground to the D-mark, French franc and Swiss franc over the same period.

The pound's strength at the beginning of the week largely reflected a rise in short-term London interest rates, which threatened to put clearing bank base rates under pressure once again. Seven day money was around 15½-16 per cent for most of the week, which is comfortable enough for the banks on a base rate of 15½ per cent and a prime borrower overdraft rate of 16½ per cent, but three-month funds touched 17 per cent on Monday.

Currency traders seemed much more aware of daily trends in domestic money markets recently, adjusting their positions as the rates moved. Thus the cut of ¼ per cent to 17¼ per cent in Continental Illinois Bank's prime rate pushed up the pound against the dollar, but the fall of London rates from Monday's peak depressed sterling against European currencies.

By Wednesday the pressure was easing on London rates, and fears of a base rate increase abating, probably to the relief of the authorities, who had supplied day-to-day money at an attractive rate within a general range of 15¼-15½ per cent.

This trend was encouraged on Thursday by the sharp fall in the index of leading U.S. economic indicators, and the subsequent fall of the dollar.

The implication of falling Government revenue next year as the U.S. economy moves into recession, is for increased Federal borrowing and higher U.S. interest rates. As London rates are now following New York down, so they will presumably follow them up again.

THE POUND SPOT AND FORWARD

Oct 30	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.8425-1.8625	1.8590-1.8610	0.20-0.10c pm	0.97	0.20-0.10 pm	0.32
Canada	2.2200-2.2460	2.2300-2.2380	0.25-0.15c pm	1.30	1.20-1.50dis	-2.60
Nethlnd.	4.57-4.61	4.59½-4.60½	1½-½c pm	2.93	4⅛-3⅛ pm	3.26
Belgium	69.40-69.90	69.75-69.85	12-22c dis	-2.93	40-50 dis	-2.58
Denmark	13.38-13.46	13.43½-13.45½	2½-1½ore pm	1.79	3½-2½ pm	0.89
Ireland	1.1720-1.1810	1.1785-1.1805	0.12-0.21p dis	-1.68	0.42-0.60dis	-1.73
W. Ger.	4.15-4.18	4.16½-4.17½	1⅞-1⅛pf pm	4.56	4⅞-4½ pm	4.19
Portugal	118.00-120.25	119.80-120.20	50-340c dis	-19.50	90-600 dis	-11.50
Spain	177.50-179.50	179.00-179.20	5c pm-20 dis	-0.50	20-60 dis	-0.89
Italy	2,210-2,229	2,227-2,229	8½-11½ lire dis	-5.25	21-24 dis	-5.37
Norway	10.96-11.05	11.03-11.06	2⅝-2⅛ore pm	2.58	7-5⅞ pm	2.33
France	10.42-10.52	10.50½-10.51½	par-1c dis	-0.57	2¼-4 dis	-1.14
Sweden	10.25-10.34	10.33-10.34	2¼-2ore pm	2.76	8½-7½ pm	2.73
Japan	425-435	433-434	3.50-3.20y pm	9.27	9.55-9.25 pm	8.67
Austria	29.10-29.40	29.32-29.37	13-8gro pm	4.29	32-22 pm	3.68
Switz.	3.39-3.43	3.40-3.41	1⅞-1⅛c pm	4.84	4⅞-3⅞ pm	4.86

Belgian rate is for convertible francs. Financial franc 71.40-71.50. Six-month forward dollar par-0.08c dis, 12-month 0.65-0.85c dis.

THE DOLLAR SPOT AND FORWARD

Oct 30	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.8425-1.8625	1.8590-1.8610	0.20-0.10c pm	0.97	0.20-0.10 pm	0.32
Ireland†	1.5680-1.5770	1.5690-1.5720	0.40-0.30c pm	2.67	0.80-0.70 pm	2.04
Canada	1.2035-1.2045	1.2036-1.2039	0.33-0.37c dis	-3.49	0.79-0.83dis	-2.69
Nethlnd.	2.4730-2.4870	2.4780-2.4830	0.50-0.40c pm	2.18	1.85-1.75 pm	2.90
Belgium	37.53-37.75	37.53-37.55	8-13c dis	-3.34	32-37 dis	-3.66
Denmark	7.2300-7.2650	7.2350-7.2450	0.85-0.60ore pm	1.20	1½-1 pm	0.69
W. Ger.	2.2400-2.2580	2.2420-2.2430	0.75-0.70pf pm	3.88	2.43-2.37 pm	4.28
Portugal	64.20-64.70	64.25-64.50	35-185c dis	-20.48	55-325 dis	-11.79
Spain	96.20-96.56	96.22-96.32	5-15c dis	-1.25	20-35 dis	-1.14
Italy	1,198-1,202	1,198-1,200	6½-8 lire dis	-7.25	21-24 dis	-7.50
Norway	5.9400-5.9540	5.9400-5.9500	0.70-0.30ore pm	1.01	2.90-2.50 pm	1.82
France	5.6400-5.6800	5.6525-5.6575	0.45-0.85c dis	-1.37	2.25-3.00dis	-1.85
Sweden	5.5500-5.5700	5.5600-5.5700	1.05-0.90ore pm	2.10	4.10-3.95 pm	2.89
Japan	232.50-234.00	233.05-233.15	1.70-1.55y pm	8.36	5.05-4.90 pm	8.54
Austria	15.74-15.82	15.77-15.78	5¼-4¼gro pm	3.80	16-12 pm	3.55
Switz.	1.8290-1.8550	1.8295-1.8305	0.86-0.76c pm	5.31	2.41-2.31 pm	5.16

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

GOLD

	Oct. 30		Oct. 29	
Gold Bullion (fine ounce)				
Close	$427-429	(£231½-232½)	$423¼-424¼	(£231½-231¾)
Opening	$428-429	(£232-232½)	$423-424	(£232¼-232¾)
Morning fixing	$429	(£232.520)	$422.25	(£232.069)
Afternoon fixing	$427	(£231.248)	$424.50	(£231.598)
Gold Coins				
Krugerrand	$441-442	(£239-239½)	$438½-440½	(£240-240½)
½ Krugerrand	$227-228	(£123-123½)	$225½-227¼	(£123½-124)
¼ Krugerrand	$115½-116¼	(£62½-63)	$115¼-116¼	(£63-63½)
1/10 Krugerrand	$47¼-48¼	(£25½-26)	$47-49	(£25¾-26¾)
Mapleleaf	$441-444	(£239-240½)	$439½-443½	(£243¼-245)
New Sovereigns	$104¾-105¾	(£56½-57)	$104¼-105¼	(£57-57½)
King Sovereigns	$116-118	(£63-64)	$115½-116½	(£63-63½)
Victoria Sovs.	$116-118	(£63-64)	$115½-116½	(£63-63½)
French 20s	$99-109	(£53½-59)	$98½-108½	(£54-59½)
50 pesos Mexico	$500-533	(£287-288)	$526½-529½	(£287½-289)
100 Cor. Austria	$414-417	(£224½-226)	$411-414	(£224½-226)
$20 Eagles	$565-570	(£306-308½)	$570-575	(£311-313½)

OTHER CURRENCIES

Oct. 30	£	$		Note Rates
Argentina Peso†	11,497-11,517	6217-6237	Austria	29.05-29.35
Australia Dollar	1.6280-1.6360	0.8800-0.8805	Belgium	76½-77½
Brazil Cruzeiro	211.17-212.17	114.26-114.83	Danmark	13.32-13.47
Finland Markka	8.152-8.164	4.4130-4.4170	France	10.40-10.55
Greek Drachma	102.850-105.025	56.65-56.85	Germany	4.14-4.19
Hong Kong Dollar	10.80½-10.82¼	5.8600-5.8650	Italy	2175-2235
Iran Rial	146.40*	80.60*	Japan	430-435
Kuwait Dinar (KD)	0.519-0.525	0.2818-0.2823	Netherlands	4.56¼-4.61¼
Luxembourg Fr	69.75-69.85	37.53-37.55	Norway	10.93-11.05
Malaysia Dollar	4.2015-4.2115	2.2785-2.2805	Portugal	117½-129
New Zealand Dlr.	2.2455-2.2505	1.2160-1.2170	Spain	176¾-188½
Saudi Arab. Riyal	6.28-6.34	3.4180-3.4200	Sweden	10.22-10.32
Singapore Dollar	3.8325-3.8425	2.0790-2.0820	Switzerland	3.39-3.43
Sth. African Rand	1.7910-1.7950	0.9630-0.9640	United States	1.83¼-1.85¼
U.A.E. Dirham	6.75-6.81	3.6700-3.6750	Yugoslavia	81-86

† Rate given for Argentina is the commercial rate. The financial rate for sterling is 17,037-17,057 and for the dollar 9,200-9,250. *Selling rate.

EURO-CURRENCY INTEREST RATES (Market closing Rates)

Oct. 30	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Belgian Franc Convertible	Japanese Yen
Short term	15⅞-16⅛	14⅜-14⅝	20-21	12¾-12⅞	3½-4	11-11⅛	16¼-15½	17-18½	14-16	5¾-6¼
7 days' notice	15⅞-16⅛	14½-14¾	20-21	12¾-12⅞	7-7½	11⅛-11¼	15¾-16	19¾-21¼	17-19	6⅛-6⅜
Month	16-16¼	14⅞-15⅛	18¾-19⅛	12-12	9⅞-10	11⅛-11¼	16⅛-16½	20½-21¾	18-20	6⅞-6[illegible]
Three months	16-16	15½-15¾	18⅞-19⅛	12¾-12⅞	10⅛-10¾	11⅜-11½	17¾-18¼	21⅞-22¾	19-20½	7[illegible]
Six months	16½-16⅝	15⅞-16⅛	18¾-19⅛	12-12	10⅜-10½	11-11	18⅝-19⅛	22⅞-23½	19-20	7¼-7½
One Year	15¾-16	16-16¼	18¾-19¼	12-12	9¾-9⅞	11¼-11⅜	18½-19¼	23¼-24½	17¼-18	7⅝-7⅞

SDR linked deposits: one month 13⅞-13⅞ per cent; three months 14-14¼ per cent; six months 14⅝-14⅞ per cent; one year 14⅝-14⅞ per cent.

ECU linked deposits: one month 14⅞-14⅞ per cent; three months 15⅞-15⅞ per cent; six months 15⅝-15⅞ per cent; one year 15⅞-15⅞ per cent.

Asian $ (closing rates in Singapore): one month 15⅛-15¼ per cent; three months 15⅞-15⅞ per cent; six months 16⅛-16⅜ per cent; one year 16⅛-16⅜ per cent. Long-term Eurodollar two years 16¼-16½ per cent; three years 16⅜-16⅝ per cent; four years 16⅜-16⅝ per cent; five years 16⅜-16⅝ per cent nominal closing rates.

The following nominal rates were quoted for London dollar certificates of deposit: one month 14.90-15.00 per cent; three months 15.25-15.35 per cent; six months 15.45-15.55 per cent; one year 15.45-15.55 per cent.

FT LONDON INTERBANK FIXING (11.00 a.m. OCTOBER 30)

3 months U.S. dollars		6 months U.S. dollars	
bid 15 13/16	offer 15 15/16	bid 16 1/8	offer 16 1/4

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

LONDON MONEY RATES

Oct. 30 1981	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market Deposits	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	4-19	16⅛-16¼	—	—	15½-16¼	13½-15½	—	—	—
2 days notice	—	—	16-16¼	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	15¾-16⅜	16-16¼	—	—	16¼-16½	15¼	—	—	—
One month	16-16	16-16½	16¼	16¾-16⅝	16	16⅜	15⅝	15½	15⅝	16½
Two months	16⅛-16	16¼-16½	—	16⅝-16⅝	16⅜	16¾	15½	15⅜	15-15	16⅝
Three months	16⅝-16¼	16-16	16⅝	16¾-16¼	16	16¾	15⅝	15	15	16
Six months	16¼-16⅛	16-16	16¼	16½-16¾	16	—	—	—	15⅛	15¾
Nine months	16-16	16⅛-16	—	16½-16	16¼	—	—	—	—	—
One year	16-15⅞	15-15⅞	15⅞-16	16½-15⅞	15⅞	—	—	—	—	—
Two years	—	—	16⅞	—	—	—	—	—	—	—

Local authorities and finance houses seven days' notice, others seven days fixed. Long-term local authority mortgage rates nominally three years 15¾ per cent; four years 15¾ per cent; five years 15¾ per cent. ♦Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 15½ per cent; four-month trade bills 16⅛ per cent.

Approximate selling rate for one-month Treasury bills 15⅛ per cent; two months 15⅜ per cent; three months 15⅞ per cent. Approximate selling rate for one-month bank bills 15⅞ per cent; two months 15⅞ per cent; and three months 15⅞ per cent; one month trade bills 16¾ per cent; two months 16⅛ per cent; three months 16⅞ per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 16 per cent from November 1 1981. Clearing Bank Deposit Rates for sums at seven days' notice 14 per cent. Clearing Bank Rates for lending 15½ per cent. Treasury Bills: Average tender rate of discount 15.9537 per cent.

CURRENCY RATES

Oct. 30	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.623946	0.586509
U.S. $	14	1.15118	1.08558
Canadian $	18.21	1.38498	1.30452
Austria Sch.	6¾	18.2071	17.1313
Belgian F.	13	43.4326	40.8670
Danish K.	11	8.35181	7.85863
D mark	7½	2.59499	2.43804
Guilder	9	2.86183	2.68727
French Fr.	9½	6.52646	6.13053
Lira	19	1381.42	1299.75
Yen	6¼	269.146	252.906
Norwgn. Kr.	9	6.84952	6.44727
Spanish Pta.	8	111.047	104.511
Swedish Kr.	11	6.40286	6.02759
Swiss Fr.	6	2.12691	2.00156
Greek Dr'ch.	20½	—	61.7530

RECENT ISSUES

EQUITIES

Issue price p	Amount paid up	Latest Renunc. date	1981 High	1981 Low	Stock	Closing price p	+ or -	Div.	Times covered	Gross yield	P/E ratio
—	F.P.	—	250	175	♦Asprey	850xd	—	35.0	3.3	5.9	6.0
‡110	F.P.	13/11	133	120	♦Habitat	125	-1	u3.6	1.4	4.1	23.4
63	F.P.	2/12	74	69	♦Johnstone Print'sp	74		b3.33	2.5	6.8	7.7
‡67	F.P.	18/12	69	68	♦Sheldon Jones	68	-1	u3.5	2.4	7.3	5.8
—	F.P.	16/10	230	195	♦UtdFrdl'yIns.B.R.V.	225	-5	mb6.2	5.6	4.0	—

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1981 High	1981 Low	Stock	Closing price £	+ or -
‡100	F.P.	—	82p	81p	Asprey 9½% Cum. Prf.	82p	—
**	F.P.	26/10	100p	97	Austin F. Leyton 11½% PfyCnv.Red1994	97	-1
‡‡	F.P.	—	64	62	Brooke Bond Liebig 9½% Deb. '87-'92	60	—
100	£10	10/12	12	12	E. Works Waterworks 10½% Rd. Prf. '86	12¼	—
‡‡	F.P.	—	99½	92	Hawley Leisure 12½% Cum. Prf.	92	—
‡100	F.P.	—	99½	98½	Nat'wide Bdg Society 16⅝% 16.10.82	98½	—
‡100	F.P.	—	99½	99½	Nova Scotia (Province of) 6½% Ln2011	99½	—
97.29	£25	—	25	24	Staffs. Potts. 10% Cnv. Cum. Prf.	24½	—
21	Nil	15/11	1pm	1pm	Sterling Credit Warrants	1pm	-½
—	—	—	3p	1½p	Tendering Hand Water 10½% Rd. Prf. '86	2½p	—
100	£10	10/12	12	12		12¼	—

"RIGHTS" OFFERS

Issue price p	Amount paid up	Latest Renunc. date	1981 High	1981 Low	Stock	Closing price p	+ or -
14	F.P.	30/10 20/11	20	17	British Benzol	17	—
275	Nil	13/11	112	108	BP	60	—
20	Nil	13/11 11/12	1pm	1pm	Brown & Jackson	1pm	—
182	F.P.	23/10 27/11	191	185	Foseco Minsep	185	-1
90	F.P.	23/10 27/11	96	90	Hoskins	90	—
250	F.P.	22/10 19/11	262	250	Viner's Units	252	+2
20	Nil	13/11 15/12	21pm	15pm	Wobsters	14pm	-1

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. m Interim since increased or resumed. u Forecast dividend cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1982. Q Gross. T Figures assumed. * Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or takeover. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. †† Dealings under special Rule. ♦ Unlisted Securities Market. ‡‡ London Listing. ‡ Effective issue price after scrip. † Comprising 50 Ordinary of 1p and £1 of 10 per cent Loan 1988.

Public Works Loan Board rates

Effective October 31

Years	Quota loans repaid by EIP†	Quota loans repaid At‡	Quota loans repaid maturity§	Non-quota loans A* repaid by EIP†	Non-quota loans A* repaid At‡	Non-quota loans A* repaid maturity§
Up to 5	17¾	17¾	18¼	18¼	18¼	18¼
Over 5, up to 6	17½	18	17¾	18¼	18½	18¼
Over 6, up to 7	18	18	17¾	18¼	18½	18¼
Over 7, up to 8	18	18¼	17¾	18¼	18½	18¼
Over 8, up to 9	18	18	17	18¼	18½	18¼
Over 9, up to 10	18	17¾	16¾	18¼	18½	17¾
Over 10, up to 15	17¾	16½	16½	17¾	17¾	16¾
Over 15, up to 25	16½	16½	16½	17¼	17¼	16¾
Over 25	16½	16½	16½	16¾	16¾	16¾

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements, except where the forthcoming board meetings (indicated thus*) have been officially published. It should be emphasised that dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

	Date	Announcement last year
Alroyd and Smithers	Nov 20	Final 18.0
Allied Brew.	Nov 25	Int. 2.0
*Allied Irish Banks	Nov 11	Int. 3.5
Anderson Strathclyde	Nov 26	Int. 7.0
Aust and NZ Banking	Nov 17	Final 12c
Avon Rubber	Dec 3	Final 1.0
*BPB Inds.	Nov 24	Int. 4.0
*Bank of Ireland	Nov 5	Int. 3.0
Bass	Dec 1	Final 6.3
Beecham	Nov 18	Int. 3.095
*Boots	Nov 10	Int. 2.675
Brit Bldg. & Eng App.	Dec 3	Final 10.0
Brit and Comm. Shipping	Nov 18	Int. 5.5
British Sugar	Nov 13	Final 12.65
Brown (Matthew)	Nov 26	Final 4.435
Burnett and Hallamshire	Nov 27	Int. 4.5
Burton	Nov 18	Final 3.5
Capital and Counties	Nov 26	Int. 1.0
Cater Ryder	Nov 10	Int. 4.287
Cawoods	Dec 4	Int. 1.4
Charter Cons.	Dec 2	Int. 3.4
*Chloride	Nov 11	Int. nil
Chubb	Nov 12	Int. 1.947
Churchbury Estates	Nov 26	Int. 4.0
Coalite	Dec 3	Int. 1.36
Coates Bros.	Oct 28	Int. 0.88
Common Bros.	Nov 12	Final 9.0
Courtaulds	Nov 27	Int. nil
Dawson Intl.	Dec 2	Int. 2.0
*De La Rue	Nov 18	Int. 6.6
Eastern Produce	Nov 21	Int. 1.4
Elliott (B.)	Nov 27	Int. 5.0
*English China Clays	Dec 17	Final 3.5
Estel	Nov 20	Int. 2.0
Ferranti	Dec 4	Int. 2.5
[illegible]	[illegible]	[illegible]

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

Lunuva Tea ahead at nine months

Pre-tax profits of Lunuva (Ceylon) Tea and Rubber Estates moved ahead from £124,268 to £138,761 for the nine months ended September 30 1981 and the interim dividend is unchanged at 6p net per £1 share.

For the whole of 1980 the company paid a total distribution of 56p, including a special payment of 35p, from taxable profits of £763,505 (£222,078) which was after a £476,734 (nil) surplus from disposal of investment.

Nine months' tax took £31,313 against £43,905, giving earnings per share of 12.58p (9.41p). Net asset value is given as 466.53p (504.49).

H. Goldman reverse to £19,968

IN THE half year to April 30 1981 H. Goldman Group climbed from taxable losses of £50,000 to profits of £19,968, on higher sales of £1.77m compared with £1.65m.

The interim dividend is being missed—the last distribution was a single payout of 0.7p net per 10p share in 1979.

The directors say the figures show a trend towards a reversal of the recent losses. Although trading conditions remain difficult, a return to profitability is anticipated for full year. As stated in a circular to shareholders in August 1981 a contribution has been made by Blue Chip Marketing acquired in July.

OFFSHORE & OVERSEAS—contd.

Capital International Fund S.A. [illegible]

Central Assets Management Ltd. [illegible]

Charterhouse Japhet [illegible]

Cornhill Ins. (Guernsey) Ltd. [illegible]

Cortexa International [illegible]

Craigmount Fixed Int. Mgrs. (Jersey) [illegible]

DWS Deutsche Ges. F. Wertpapiersp. [illegible]

Delta Group [illegible]

Deutscher Investment-Trust [illegible]

Dreyfus Intercontinental Inv. Fd. [illegible]

Duncan Lawrie Inv. Mgt. (Jersey) [illegible]

Emson & Dudley Tst. Mgt. Jrsy. Ltd. [illegible]

The English Association [illegible]

Eurobond Holdings N.V. [illegible]

S.E. Europe Obligations S.A. [illegible]

Euretax Investments Ltd. [illegible]

F & C Mgmt. Ltd. Inv. Advisers [illegible]

Fidelity International Ltd. [illegible]

First Viking Commodity Trusts [illegible]

Fleming Japan Fund S.A. [illegible]

Frankfurt Trust Investment-GmbH [illegible]

Free World Fund Ltd. [illegible]

G. T. Management Ltd. [illegible]

Gartmore Invest. Ltd. Ldn. Agts. [illegible]

Gartmore Fund Managers (C.I.) Ltd. [illegible]

Assicurazioni GENERALI S.p.A. [illegible]

Granville Management Limited [illegible]

Guinness Mahon Fd. Mgrs. (Guernsey) [illegible]

Hambro Pacific Fund Mgmt. Ltd. [illegible]

Hambros Fd. Mgrs. (C.I.) Ltd. [illegible]

Henderson Admin. [illegible]

Hill-Samuel & Co. (Guernsey) Ltd. [illegible]

Hill Samuel Investment Mgmt. Intl. [illegible]

IBF Management Services Inc. [illegible]

International Bond Trust [illegible]

Intl. Pacific Inv. Mgmt. Ltd. [illegible]

Investment Advisers Inc. [illegible]

Jardine Fleming & Co. Ltd. [illegible]

Leopold Joseph & Sons (Guernsey) [illegible]

King & Shaxson Mgrs. [illegible]

Kleinwort Benson Group [illegible]

Kredietbank N.V. (Belgium) [illegible]

Lazard Brothers & Co. (Jersey) Ltd. [illegible]

Lloyds Bank (C.I.) U/T Mgrs. [illegible]

Lloyds Bank International, Geneva [illegible]

M & G Group [illegible]

Management International Ltd. [illegible]

Midland Bank Tst. Corp. (Jersey) Ltd. [illegible]

Samuel Montagu Ldn. Agents [illegible]

Murray, Johnstone (Inv. Adviser) [illegible]

Negit S.A. [illegible]

Nat. Westminster Jersey Fd. Mgrs. Ltd. [illegible]

N.E.L. International Ltd. [illegible]

Nomura International Ltd. [illegible]

Phoenix International [illegible]

Providence Capital Life Ass. (C.I.) [illegible]

Quest Fund Man. (Jersey) Ltd. [illegible]

Quilter/Nicholl Commodities [illegible]

RBC Investment Managers Ltd. [illegible]

Rothschild Asset Management (C.I.) [illegible]

Save & Prosper International [illegible]

Schroder Life Group [illegible]

Schroder Mngt. Services (Jersey) Ltd. [illegible]

J. Henry Schroder Wagg & Co. Ltd. [illegible]

Scrimgeour Kemp-Gee Mngmt., Jersey [illegible]

Sentry Assurance International Ltd. [illegible]

Singer & Friedlander Ldn. Agents [illegible]

Strategic Metal Trust Mngrs. Ltd. [illegible]

Stronghold Management Limited [illegible]

Surinvest (Jersey) Ltd. [illegible]

TSB Trust Funds (C.I.) [illegible]

Tokyo Pacific Holdings N.V. [illegible]

Tokyo Pacific Hldgs. (Seaboard) N.V. [illegible]

Tyndall Group [illegible]

Utd. Intl. Mngmnt. (C.I.) Ltd. [illegible]

United States Tst. Intl. Adv. Co. [illegible]

S. G. Warburg & Co. Ltd. [illegible]

Warburg Invest. Mngt. Jrsy. Ltd. [illegible]

World Wide Growth Management [illegible]

NOTES [illegible]

FT UNIT TRUST INFORMATION SERVICE

Lloyd's Life Unit Tst. Mngrs. Ltd.
2, St. Mary Axe, EC3A 8BP. 01-623 6114

Equity Accum. (2)	248.3	261.3	.....	4.20

Local Authorities' Mutual Invest. Tst.*
77, London Wall, EC2N 1DB. 01-588 1815

Property Fd. Sept. 30	154.35		.....	6.74
Wider Fund Sept. 30	254.35		.....	5.45
Narrower Fd. Sept. 30	69.25		.....	14.74

*Unauthorised. Available only to Local Authorities.

M & G Group (y)(c)(z)
Three Quays, Tower Hill, EC3R 6BQ. 01-626 4588

American	72.3	77.7	−1.3	2.36
(Accum. Units)	78.1	84.0	−1.5	2.36
American Recovery	77.3	82.7	−1.8	1.57
(Accum. Units)	80.6	86.2	−1.9	1.57
Australasian	83.4	89.2	−0.6	1.76
(Accum. Units)	87.7	93.8	−0.6	1.76
Commodity	122.4	131.5	−0.5	3.44
(Accum. Units)	146.1	156.3	−0.5	3.44
Compound Growth	169.6	184.0	−0.5	3.73
Conversion Growth	115.1	123.2	.....	2.61
Conversion Income	72.0	77.0	−0.2	9.36
Dividend	122.4	131.0	−0.5	10.22
(Accum. Units)	280.0	299.6	−1.3	10.22
European	58.6	62.9	+0.1	4.26
(Accum. Units)	65.4	70.0	+0.1	4.26
Extra Yield	76.7	82.6	.....	10.48
(Accum. Units)	128.2	139.1	.....	10.48
Far Eastern	106.8	115.9	−0.9	1.61
(Accum. Units)	122.9	133.3	−1.2	1.61
Fund of Inv. Tsts.	86.1	93.9	+0.3	5.12
(Accum. Units)	117.6	128.2	+0.4	5.12
General	216.3	232.5	−0.5	6.52
(Accum. Units)	382.0	410.7	−0.7	6.52
Gilt Income	42.9	45.0	+0.4	13.06
(Accum. Units)	45.5	47.8	+0.5	13.05
High Income	103.2	110.4	−0.3	9.89
(Accum. Units)	212.8	227.7	−0.6	9.89
Japan	180.4	193.0	−0.8	0.79
(Accum. Units)	189.7	203.0	−0.9	0.79
Magnum	311.5	333.3	−2.6	5.41
(Accum. Units)	438.6	469.3	−3.6	5.41
Midland	150.1	160.6	+0.4	9.19
(Accum. Units)	308.2	329.8	+0.8	9.19
Recovery	112.6	122.2	+0.1	5.18
(Accum. Units)	128.0	138.9	+0.2	5.18
Second General	236.3	254.0	−0.3	5.73
(Accum. Units)	400.6	430.6	−0.6	5.73
Smaller Companies	252.7	270.4	−0.2	4.74
(Accum. Units)	350.7	375.3	−0.3	4.74

Specialised Funds

Trustee	157.0	169.6	−0.4	7.74
(Accum. Units)	367.5	396.9	−0.9	7.74

Schroder Unit Trust Managers Ltd.
48, St. Martins Lane, WC2. Dealings 0705 27733

Capital	168.1	180.7	−3.2	2.42
(Accum. Units)	220.9	237.5	−0.9	2.42
Income Fnd.	216.1	232.3	+0.4	8.32
(Accum. Units)	381.3	410.0	+0.7	8.32
Gen.	126.3	135.8	−0.4	4.48
(Accum. Units)	173.9	186.9	−0.8	4.43
Europe	22.5	24.1	.....	2.90
(Accum. Units)	27.1	29.1	.....	2.90
Smaller Co.'s	144.6	155.4	+0.4	3.06
American	55.8	59.9	−1.1	0.43
(Accum. Units)	55.8	60.0	−1.0	0.43
Tokyo	56.1	60.3	.....	0.19
(Accum. Units)	56.1	60.3	.....	0.19
Gilt & Fixed	42.1	44.3	+0.3	13.12
(Accum. Units)	44.2	46.5	+0.3	13.12
Australian	49.5	53.8	−0.1	3.83
(Accum. Units)	49.9	54.2	−0.1	3.83
Singapore & Malay	46.9	50.4	.....	1.24
(Accum. Units)	46.9	50.4	.....	1.24
*Pn.&C. Fd. Oct. 20	230.2	247.5	.....	5.48
*Recovery Oct. 27	276.6	297.6	.....	4.46
*Spec. Ex. Oct. 27	451.2	485.7	.....	2.23
Euro.Exempt. Oct. 22	110.3	118.5	.....	2.78

*For tax exempt funds only.

Scottish Amicable Inv. Mngrs. Ltd.
150 St. Vincent St., Glasgow 041-221 8844

Equity Trust Accum.	94.3	101.2	+1.6	6.24

Scottish Equitable Fund Mgrs. Ltd.
28 St. Andrews Sq. Edinburgh 031-556 9101

Income Units	59.0	62.8	.....	5.38
Accum. Units	77.9	82.9	.....	5.38

Dealing day Wednesday.

For Sebag see Carr, Sebag Unit Trust Managers.

For Security Selection see McAnally Fund Management.

Scottish Widows' Fund Management
P.O. Box 902, Edinburgh EH16 5BU 031-655 6000

Pegasus Tst. Oct. 30	81.5	87.6	−0.2	—

SIMCO Money Funds
66, Cannon Street, EC4N 6AE 01-236 1425

SIMCO Call Fund†	100.0	—	.....	15.54
SIMCO 7-Day Fund†	100.0	—	.....	15.44
SIMCO $ Fd. (7 day)†	US$100.00	—	.....	13.50

†Unauthorised—Cash Deposit Funds

Stewart Unit Tst. Managers Ltd.(a)
45, Charlotte Sq., Edinburgh. 031-226 3271

†American Fund	102.1	108.4	.....	1.93
Accum. Units	111.1	118.1	.....	—

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

INT. BANK AND O'SEAS GOVT. STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH AND AFRICAN LOANS

1A	10	Aust. 5½pc '81-82	96¼	28.8	5.74	15.80
1J	10	Do. 6pc 1981-83	82½xd	10.4	7.22	15.82
1Ja	1J	N.Z. 7½pc 1988-92	58	1.6	13.02	16.05
1.3	15D	Do. 7½pc '83-86	76	15.5	10.24	15.84
1A	10	S. Rhod. 2½pc Non-Ass.	133	7.66	—	—
—		Do. 4½pc 80-85 Assd.	54	10.8	6.52	21.20
—		Do. 4½pc 87-92 Assd.	38	7.7	13.55	20.29
—		Zimbabwe Ann (£100pd)	323	—	—	25.62

LOANS

Public Board and Ind.

[illegible]

Financial

[illegible]

Building Societies

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

BANKS AND HIRE PURCHASE

[illegible]

Hire Purchase, etc.

[illegible]

BEERS, WINES AND SPIRITS

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

CHEMICALS, PLASTICS

[illegible]

CHEMICALS, PLASTICS—Cont.

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ENGINEERING MACHINE TOOLS

[illegible]

FOOD, GROCERIES, ETC.

[illegible]

FOOD, GROCERIES—Cont.

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

INSURANCE—Continued

PROPERTY—Continued

INVESTMENT TRUSTS—Cont.

OIL AND GAS—Continued

MINES—Continued

Australian

Tins

Copper

Miscellaneous

Dividends Paid		Stock	Price	Last xd	Div Net	Cvr	Yld Gr's
—		Anglo-Dominion	32	—	—	—	—
May		Burma Mines 10p	13	30.3	0.75	0.9	8.2
—		Colby Res. Corp.	145	—	—	—	—
Aug.	Feb.	Cons. Murch. 10c.	290	30.6	tQ30c	1.8	5.9
—		††Explaura Gold	9	—	—	—	—
—		††Hemerdon 10c.	60	—	—	—	—
—		Highwood Res.	75	—	—	—	—
—		Northgate C$1	320	977	—	—	—
Jan.	July	R.T.Z.	442	18.5	16.0	2.3	5.2
—		Do.9½%Cv.Un.Ln.'95-2000	£101½	18.5	Q9½%	—	f9.7
—		††SPO Minerals 10p	26	—	—	—	—
—		Sabina Inds. C$1	22	—	—	—	—
—		♣Southwest C. 10p	25	—	—	—	—
—		Tara Expln. $1	565	—	—	—	—

LEISURE

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING ADVERTISING

PROPERTY

INSURANCE

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

Finance, Land, etc.

OIL AND GAS

OVERSEAS TRADERS

RUBBERS AND SISALS

TEAS

Indian and Bangladesh

Sri Lanka

Africa

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Finance

Diamond and Platinum

Central African

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 163(2)(a); not listed on any Stock Exchange and not subject to any listing requirements.
- ‡‡ Dealt in under Rule 163(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- || No par value.

§§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. ★★ Available only to UK pension schemes and insurance companies engaged in pension business. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend, cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1981-82. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1982. K Figures based on prospectus or other official estimates for 1981-82. M Dividend and yield based on prospectus or other official estimates for 1983. N Dividend and yield based on prospectus or other official estimates for 1981. P Figures based on prospectus or other official estimates for 1982. Q Gross. T Figures assumed. Z Dividend total to date.
Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xR ex capital distribution.

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Stock	Price	+or-
Albany Inv. 20p	40	.....
Bertrams	8	.....
Bdg'wtr. Est. 50p	400	.....
Craig & Rose £1	£13	.....
Finlay Pkg. 5p	23	.....
Graig Ship. £1	£19	.....
Higsons Brew.	63	.....
Holt (Jos) 25p	510	.....
I.O.M. Stm. £1	150xd	.....
Pearce (C. H.)	760	.....
Peel Hldgs.	116	.....
Sheff. Refrshmt	90	.....
Sindall (Wm.)	190	.....

IRISH

Stock	Price	+or-
Conv. 9% '80/82	£92⅞	.....
Nat. 9¾% 84/89	£68⅝	.....
Fin. 13% 97/02	£73¾	.....
Alliance Gas	75	−3
Arnott	225	.....
Carroll (P.J.)	76	+1
Concrete Prods.	90	.....
Heiton (Hldgs.)	24	.....
Irish Ropes	40	.....
Jacob	63½xd	.....
T.M.G	17	.....
Unidare	58	.....

OPTIONS

3-month Call Rates

Industrials					
A. Brew.	6½	House of Fraser.	13	Uld Drapery	6½
BOC Intl.	11	I.C.I.	18	Vickers	15
B.S.R.	7½	"Imps"	5	Woolworths	4½
Babcock	9	I.C.L.	5	**Property**	
Barclays Bank	36	Ladbroke	13	Brit. Land	7
Beecham	17	Legal & Gen.	20	Cap. Counties	10
Blue Circle	38	Lex Service	9	Land Secs.	30
Boots	18	Lloyds Bank	23	MEPC	20
Bowaters	19	"Lofs"	3½	Peachey	15
Brit. Aerospace	17	London Brick	6½	Samuel Props.	13
B.A.T	28	Lucas Inds.	18	Town & City	2¼
Brown (J.)	8	"Mams"	11	**Oils**	
Burton Ord.	12	Mrks. & Spncr	10	Brit. Petroleum	23
Cadburys	8	Midland Bank	25	Burmah Oil	11
Courtaulds	5½	N.E.I.	7	Charterhall	6
Debenhams	7	Nat. West. Bank	30	KCA	12
Distillers	16	P & O Dfd.	9	Premier	7
Dunlop	6½	Plessey	26	Shell	28
Eagle Star	25	Racal Elect.	34	Tricentrol	25
F.N.F.C.	4	R.H.M.	5	Ultramar	40
Gen. Accident	30	Rank Org. Ord.	14	**Mines**	
Gen. Electric	55	Reed Intnl.	23	Charter Cons.	21
Glaxo	32	Sears	5	Cons. Gold	40
Grand Met.	15	Tesco	5	Lonrho	7
G.U.S. 'A'	36	Thorn EMI	30	Rio T. Zinc	45
Guardian	30	Trust Houses	11		
G.K.N.	12	Tube Invest.	12		
Hawker Sidd.	25	Turner & Newall	7½		
		Unilever	50		

"Recent Issues" and "Rights" Page 22

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £600 per annum for each security

FINANCIAL TIMES

Monday November 2 1981

PRINCE FAHD'S PEACE PROPOSALS ATTACKED

Saudi plan 'a threat'—Begin

BY REGINALD DALE IN WASHINGTON AND DAVID LENNON IN TEL AVIV

MR MENAHEM BEGIN, the Israeli Prime Minister, warned yesterday that the Camp David peace process between Egypt and Israel was being threatened by the interest shown by the U.S. and Western Europe in the alternative eight-point peace plan put forward by Crown Prince Fahd, of Saudi Arabia.

Mr Begin said "great obstacles" would be placed in the way of the Camp David process if the Saudi plan was adopted by anybody. The Saudi plan was a plan for war, not peace, and would "liquidate Israel in stages," he said on U.S. television.

Mr Begin implied that the peace process could come to a halt if the Saudi plan gained too much support. The Camp David process is being carried forward in Egyptian-Israeli negotiations on Palestinian autonomy, with the last part of Israeli-occupied Sinai due to be hand back to Egypt next April.

Israel's major diplomatic offensive in the U.S. against the Saudi plan has been spurned by the direction of U.S. foreign policy following the death of Egyptian President Anwar Sadat, the Senate approval of the Awacs aircraft deal, and Washington's open flirtation with Saudi Arabia, which Jerusalem believes plays a negative role in the region by supporting Palestinian guerrillas.

Mr Begin reported yesterday to his Cabinet on the contents of a letter which he sent to President Ronald Reagan over the weekend, rejecting flatly the Saudi proposals and expressing concern about a U.S. tilt in favour of the plan.

An official of the Israeli Foreign Ministry added that it would "not be useful" if Lord Carrington, the UK Foreign Secretary and current European Community president, were to express support for the Saudi plan during his visit to Saudi Arabia which begins tomorrow.

While reaffirming that Camp David remains indispensable, the U.S. has begun to point to positive elements in the Saudi plan—particularly the implication, as Washington sees it, that it would involve Arab recognition of Israel's right to exist.

The plan, however, also calls for a return to the boundaries that existed before the June 1967 war, and the creation of a Palestinian State with East Jerusalem as its capital—both proposals which are anathema to Israel.

In his letter to President Reagan, Mr Begin denied that the Saudi peace plan recognised Israel. Nowhere in the eight points was Israel recognised, he pointed out, adding that even if it were, the other seven points are designed to lead to Israel's destruction in stages.

Mr Yitzhak Shamir, the Israeli Foreign Minister, described the plan as "a collection of extreme anti-Israel decisions."

He said that the clause on recognition of the rights of all States in the area to exist was "vague and evasive."

President Hosni Mubarak of Egypt also joined the debate over the Saudi plan yesterday, commenting that it was "encouraging" and provided the basis for a dialogue, "but not now." Talking to visiting U.S. businessmen in Cairo, Mr Mubarak stressed that Egypt was still vigorously pursuing a satisfactory outcome to the Camp David negotiations with Israel over Palestinian autonomy.

Saudi Arabia, which has indicated its wish to see Egypt return to the Arab fold, yesterday attacked Israel's rejection of Crown Prince Fahd's proposals. Mr Mohammed Abdo Yamani, the Minister of Information, said: "We believe that Israel's position confirms what we have repeatedly stated: that it does not want peace."

Optimism on Ulster progress at summit

By Margaret van Hattem.

HOPES ARE high that the Anglo-Irish summit in London at the end of this week will produce a big step towards a political settlement in Northern Ireland.

After almost a year of intensive preparations, culminating in what is reported to have been a successful meeting in Dublin last week between Dr Garret FitzGerald, the Irish Prime Minister, and Mr James Prior, the new Northern Ireland Secretary, both governments appear poised to take decisions on a number of proposals.

Possibly the most important is a proposal to elevate and institutionalise contacts between the two Governments by setting up an Anglo-Irish Council. This would give a more overtly political character to the work carried out for the past 10 months by the five joint study groups set up after last December's summit between Mrs Thatcher and Mr Charles Haughey, then Irish Prime Minister.

Several options on the composition of such a council are believed to be under consideration, including the one outlined by Mr Haughey last week. He suggested a three-tier council, with British and Irish Ministers acting jointly; British, Irish and Ulster politicians debating Ministerial decisions; and civil servants from the three regions providing the secretariat.

The two Prime Ministers may also reach decisions on proposals arising from the work of the five study groups, particularly in economic co-operation, where proposals for energy projects appear to have been developed in some detail.

At this stage the optimism on both sides is tempered with caution and secrecy. It is not at all certain that the various proposals will be tabled for decision this week, nor that any decisions reached will be made public.

It is being stressed that much depends on the rapport between the two Prime Ministers. Although they have met amicably in the past, neither is taking for granted their ability to work together harmoniously as Prime Ministers.

Both are under pressure to act quickly if they are to leave their mark on Northern Ireland.

THE LEX COLUMN

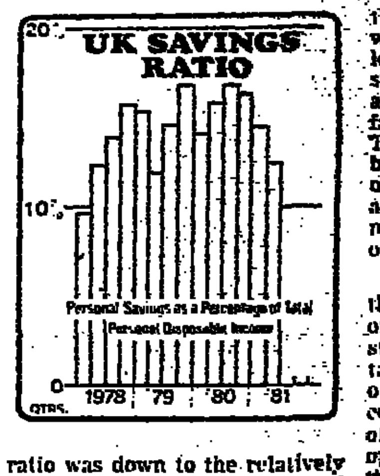
Shouldering the public surplus

A few weeks of base rates at 15½ per cent have been enough to persuade the clearing banks that it is too early to disband their corporate rescue squads, and for some companies December 31 may prove an awkward deadline. But whatever the problems of individual companies or sectors, it still seems reasonable to assume that 1982 will see a sharp increase in corporate profits overall—largely as a result of productivity improvements—and at some stage an easing of financial pressures on the company sector. However, in the next few months the pressures are likely to increase as the rise in interest rates coincides with a very large swing in the Government's finances from deficit into surplus.

Last week's CBI Industrial Trends survey reported a widespread improvement in corporate liquidity, but it appears likely that the respondents were giving a straightforward, even naive, reply to the CBI's questionnaire. In early October liquidity must indeed have been very comfortable, since VAT rebates were being paid out and the bulk of corporate tax payments held up by the Civil Service strike had not yet been paid over. It is perhaps more significant that over the year to April 1982 the CBI survey indicates expectations of a very modest improvement in liquidity. And many of the companies may have filled in their CBI forms when base rates were 1½ points below the present level.

The end of the Civil Service strike, and consequent bunching of tax payments into the autumn, will prolong the normal winter tax collecting season by at least a couple of months. There will be intense pressure on the corporate sector to assume the financial deficit that the Government is shedding, but one of the principal features of the 1980-81 recession has been the unwillingness of companies to accept this burden. Over the last financial year the result of this was twofold: the Government found itself running a bigger deficit than it bargained for and the UK ran a large surplus on its current account balance of payments.

Over the summer of 1981 the Government was running a large deficit as the strike delayed the collection of revenue, and the personal sector's surplus fell sharply as consumers ran down savings to maintain their standard of living. In the second quarter of this year the savings



ratio was down to the relatively low level of 12.4 per cent, and there may not be much scope for a further reduction. This is especially so since higher interest rates encourage saving, and higher amounts of interest credited to savings accounts are less likely to be spent than the same money in the hands of a borrower.

The danger now is that companies faced with demands for the payment of tax (which is not a surprise) and higher interest costs (which may well be a surprise) may make another attempt to sidestep a large financial deficit by cutting working capital again. The problem is exacerbated by the low level of the equity market which makes companies less keen to relieve the pressure by new issues of shares. An end to destocking is everybody's favourite way of getting the economy moving again, but actual stockbuilding is unlikely to be very pronounced this winter, particularly if, as the London Business School argues, companies have learnt to live with lower working capital to sales ratios.

It is possible, of course, that the balance of payments may come to the rescue again and the deficit be passed on to the overseas sector. Resistance to higher working capital levels could bring a fall in imports from the very buoyant September total, and the CBI Survey suggests increasing confidence about export volume. Otherwise, the corporate and personal sectors will be parcelling out the deficit between them. The struggle will take its outward visible form in the wage round; Ford's 4¼ per cent pay offer is just the start.

Marathon

Domestic U.S. oil stocks seemed almost to have lost their glamour at one point last week. Prices had come back a long way since the heady summer months when almost any resources company looked fair takeover game, and Thursday's sad announcement by Southland Royalty that no one wanted to buy it at an acceptable price knocked a few more cents off the main takeover candidates.

But Mobil has now revived the bid fever with its partial offer for Marathon Oil, a long-standing favourite among takeover speculators. It is offering $85 a share for 67 per cent of Marathon, a premium of $4 per cent over Friday's opening price. The bid values the whole company at around $5bn.

This is almost certainly just an opening salvo. Marathon's U.S. oil and gas reserves alone are probably worth at least twice that and, after arranging its own credit line of $5bn to spend its way out of unwelcome takeovers, Marathon is most unlikely to accept such a heavy discount to asset value.

Mobil is very short of U.S. acreage and, with the Aramco advantage apparently disappearing, it must be prepared to pay a healthy price for Marathon. Failure would also be a severe blow to Mobil's prestige. It has lost successive takeover battles for Belridge Oil, Seagram's U.S. oil and gas interests, and Conoco.

The loss of Marathon would be particularly embarrassing as Mobil's only major acquisition in recent years—the purchase of the Montgomery Ward retailing chain for $1.7bn in 1974—has proved an unmitigated disaster.

Mobil can afford to spend heavily if it needs to. Its liquid assets total around $2bn and it can call on a $6bn credit line—arranged for the Conoco bid—at short notice. Yet Mobil failed to gain control of Conoco even after making the highest offer, and price may not be the determining factor with Marathon either. Mobil has taken the precaution of filing law suits to restrain anti-trust action, but there is no guarantee that it will be permitted to go ahead. Moreover, Marathon may well use its own credit lines to make a defensive takeover or to merge with another domestic producer in a vulnerable position. In the last resort, it could seek a white knight elsewhere among the oil majors. Texaco, which is also short of U.S. crude, is generally regarded as a more accommodating partner than Mobil.

Backing for Dell from Guinness Peat board

By William Hall, Banking Correspondent

MR EDMUND DELL, chairman and chief executive of the troubled Guinness Peat group, has won the support of his board to carry out his policies and is to have an early meeting with Lord Kissin, the group's former chairman and now its president, to sort out how the company should be run.

After a long meeting on Friday, the board and Lord Kissin expressed confidence in Mr Dell and his executives.

In a statement which had "the full and unanimous support of the board and Lord Kissin," Mr Dell said: "The president and I have agreed to hold early discussions with a view to consolidating the group's unity."

Guinness Peat's activities range from commodity dealing to merchant banking, insurance broking and financial services.

The board meeting follows mounting speculation that there were serious differences of opinion between the two men. Lord Kissin resigned from the board in 1979, having handed over to Mr Dell as his chosen successor. As president he retains considerable influence.

His continued activity behind the scenes made it difficult for Mr Dell to reshape the group after its profits dropped sharply in the last financial year.

Mr Dell is understood to be keen to shed loss-makers and expand into fast-growing areas such as financial services, but he has had difficulty in carrying through his plans as fast as he would wish. Now, apparently, he has broad support for them.

After the meeting Mr Dell said Guinness Peat intends to continue as "an independent and unified group" and "no offer for the group or any substantial part of it has been received."

Certain subsidiaries which had not contributed to profitability had been sold and might be followed by further companies in the industrial and chemical divisions.

Mr Dell added: "It is also our intention, as instanced by the recent acquisition of an interest in Telerate, to move into fields where opportunities develop naturally from our present activities."

A decision on the extent of Guinness Peat's involvement in the Telerate deal is expected to be taken by the board shortly, and will show to what extent Mr Dell can carry it with him on a project to which he is committed.

The implications of the deal and the reports of boardroom dissension at Guinness Peat are expected to be raised at the group's annual general meeting on Thursday.

Union reform and oil assets sale will dominate Queen's Speech

BY PETER RIDDELL

CONTROVERSIAL BILLS on union reform, the sale of North Sea oil assets and local authority rates will dominate the Queen's Speech opening the parliamentary session on Wednesday. A tough economic and public spending package around the end of this month seems likely.

The session will open with morale low among many Tory and Labour MPs, especially after the sweeping election successes of the Social Democratic/Liberal Party alliance.

On the Tory side, the many discontented MPs are likely to hold back from taking action until they see the details of the spending measures and legislative proposals. The chances of an open challenge to Mrs Thatcher as party leader have receded, though there will be an attempt to change the officers of some back-bench committees.

Criticism of economic strategy is expected to be put forward during the Queen's Speech debate by both Mr Edward Heath, the former Tory leader, and Sir Ian Gilmour, who was sacked from the Cabinet in September.

On the Labour side, the cautious optimism among MPs on the moderate wing after the Brighton conference a month ago has disappeared. It has been undermined by the party's low electoral standing, the selection of two supporters of the far left Militant Tendency as parliamentary candidates and by apparent concessions to Mr Tony Benn and his allies on the National Executive Committee.

Morale among Right-wing Labour MPs is likely to be further undermined by unconfirmed reports that Mr Roy Mason will not stand again for election to the Shadow Cabinet.

With other changes, including the enlargement of the Shadow Cabinet from 12 to 15 and the defection of 21 Labour MPs to the SDP, this makes it more likely that the present moderate majority will be weakened at the elections later this month.

Apart from internal party differences, the new session is likely to be turbulent in view of the contentiousness of the main proposals, although there are expected to be fewer bills than in recent sessions.

Moreover, a considerable amount of parliamentary time could be taken up with proposals to repatriate the Canadian constitution. These will have to be taken entirely on the floor of the Commons. While the Government has promised its support, there are signs that the measure could be defeated by a cross-party group of MPs unless the Canadian provinces approve the Trudeau administration's proposals.

There is likely to be only a general reference in the Queen's Speech to union reform. Details will be published in a White Paper later this year. They are likely to include a reduction in the immunity of union funds in certain circumstances, changes in unfair dismissal procedures affecting strikers, regular ballots to test support for closed shops, a ban on union-only clauses in contracts and an increase in compensation for workers losing jobs through closed shops.

The Department of Energy's Bill will propose the sale of the British National Oil Corporation's crude production business to the public. It will also require British Gas to sell its North Sea oil interests on the market and will end the group's position as monopoly supplier.

Rates curb plan worries Tories

BY ROBIN PAULEY

CONSERVATIVE PARTY managers are becoming anxious about the extent to which new legislation to curb rates might affect Tory-controlled councils and local Conservative morale before the next election.

At a secret meeting at Conservative Party headquarters, Mr Tom King, Local Government Minister, came under pressure not only from Tory local authority leaders but also from Mr Michael Jopling, the Government Chief Whip, to modify the legislation.

Council leaders had been hoping that Mr Heseltine, Environment Secretary, would attend, but having decided with the Cabinet on the legislation, he was not anxious to become embroiled in an argument within the party.

Mr Jopling fears that unless the measures can be clearly seen to be directed at only a few high-spending Labour councils, at least in the first year, it might founder in the Parliament.

The Government accepts that the law will be controversial—although it is planning to refuse to accept it as a major constitutional issue and will therefore resist any Labour demands for the entire Parliamentary process to be held on the floor of the House.

Tory opposition is already mounting, however. Prominent backbenchers Mr Terence Higgins and Mr Geoffrey Rippon are against the idea.

Some Tory Ministers are also seriously concerned about new powers of intervention which Mr Heseltine is proposing to give Whitehall over any councils which decide on confrontation.

One of the main fears of Mr Jopling and other senior Conservatives is the way some aspects of the present method of calculating grant and penalties could work next year.

There might be dozens of small Conservative councils which would need supplementary rates and referendums to finance their budgets.

The main problem is the impact of the Government's attitude to housing expenditure and rents.

It is planning to announce another large increase in council rents so that rents subsidise the rates instead of the other way round.

CBI report Continued from Page 1

Steel, is to open an earlier debate on unemployment.

The 250,000 figure is based on declarations made by individual companies at 12 conferences on pay the CBI has held around the country, and on early returns to the CBI's pay data bank.

Reports that an increasing number of companies were persuading their employees to delay pay rises for a few months started emerging in the Midlands in the late summer and early autumn. The evidence has increased substantially during the past few weeks at the pay conferences.

"The further north you travel the more you hear of this happening," Mr Richard Worsley, CBI employee relations director, said yesterday.

Most reports are of deferment, though some groups of employees have agreed to forego the pay deal totally.

BSC agreed its deferment in January but most of the other examples are more recent. The CBI's figures are therefore blurred because they do not just cover the new pay round which started in August. But CBI leaders believe they show an important trend.

The total CBI data bank information for the current pay round so far covers 75 settlements involving 12,000 workers in small groups averaging 160 employees each.

Of these, 20 deals are for deferment or abandoned negotiations. The overall average for the 75, including these "nil" rises, is 8.3 per cent, well above the target figure of four per cent adopted by the Government for the public services which the CBI hopes will be echoed in the private sector.

But the 8.3 per cent includes some rises from the end of the last pay round and in any case is five percentage points below the 13.3 per cent recorded at the same time last year.

If that drop of five percentage points were continued as the round developed, the end result could be roughly in line with the Government's target, although no CBI leader is yet prepared to forecast that this will happen.

The CBI conference main sessions open this morning. It is being attended by 800 company representatives, about 200 less than last year.

Continued from Page 1

Economy

activity next year as do most other forecasters, but compared with its June forecast it suggests the main peak in the recovery will be postponed from next year until 1983. But it believes the rate of growth of output in that year will be less than the fall this year.

After recovery has started to slow down in 1984, the index of industrial production is expected to be 8 per cent lower than it was in 1979, the year in which the Government took office.

The LBS predicts an increase in the seasonally adjusted unemployment figure excluding school leavers to 2.8m next year. This should bring the "headline" unadjusted total to well over 3m. Thereafter the LBS foresees only a small decline to 2.7m for the adjusted figure until 1985.

Marathon to fight Continued from Page 1

fight the bid initially on anti-trust grounds.

But this would be essentially a delaying tactic. There are unlikely to be major objections to Mobil's bid from the anti-trust authorities because the two companies' activities do not overlap in any significant way in the U.S. domestic market.

Alternatively Marathon, which negotiated a $5bn credit line last summer to defend itself from unwelcome takeover bidders, could seek to thwart Mobil by making its own bid for another company.

Another strong possibility is that a "white knight," or friendly bidder, might come to the rescue. Cities Services, an oil company which has itself been the subject of intense speculation ever since the U.S. oil industry was hit by an unprecedented takeover wave this year, is one potential suitor. Cities Services and Marathon contemplated a merger in the late 1960s but terminated discussions.

Wall Street expects several other big oil companies to consider bidding for Marathon. Among the most likely candidates are Texaco and Gulf Oil. But although these companies have substantial cash hoards, both have shied away in the past from aggressive and hostile bidding battles.

Weather

UK TODAY

SCOTLAND and N. Ireland will be cloudy with rain at times. England and Wales will be mostly dry with bright intervals. Rather warm in the south. Fresh S.W. wind everywhere.

London, Midlands, E. Anglia
Dry, some bright intervals. Max. 16C (61F).

S.E. England, Channel Isles, S.W. England, Wales
Mostly dry, bright intervals, drizzle and fog on coasts. Max. 16C (61F).

N.E. England, Scotland, N. Ireltnd
Cloudy, rain at times. Max. 14C (57F).

Outlook: Cloudy with rain, followed by sunny intervals. Colder.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	20	68	Lisbon	S	19	66
Algiers	S	22	72	Locarno	S	14	57
Amsdm.	C	13	55	London	F	16	61
Athens	S	23	73	L. Ang.†	F	16	61
Bahrain	S	29	84	Luxmbg.	C	12	54
Barclna.	S	21	70	Luxor	S	31	88
Beirut	C	23	73	Madrid	S	20	68
Belfast	R	13	55	Majorca	S	22	72
Belgrd.	F	18	64	Malaga	S	20	68
Berlin	C	12	54	Malta	F	22	72
Biarritz	S	19	66	M'chstr	F	14	57
Bmghm.	C	15	59	Melbne.	S	21	70
Blackpl.	C	12	54	Miami†	C	25	77
Bordx.	F	18	64	Milan	S	15	59
Boulgn.	R	13	55	Montrl.†	C	5	41
Bristol	C	15	59	Moscow	R	5	41
Brussels	C	14	57	Munich	R	13	55
Budpst	C	14	57	Nairobi	F	25	77
Cairo	F	16	61	Naples	S	18	64
Cardiff	C	13	55	Nwcstl.	R	10	50
Cas'b'ca	F	22	72	N York†	C	11	52
Cape T.	S	25	77	Nice	S	19	66
Chicg.†	C	13	55	Oporto	S	23	73
Cologne	C	12	54	Oslo	C	0	32
Cpnhgn.	C	9	48	Paris	C	15	59
Corfu	S	21	70	Perth	C	19	66
Denver†	F	2	36	Prague	C	11	52
Dublin	C	15	59	Rykjvk.	C	3	37
Dbrvnk.	S	20	68	Rhodes	S	23	73
Ednbgh.	C	10	50	Rome	S	22	72
Faro	S	20	68	Salzbrg.	C	16	61
Florence	Fg	12	54	Sclscot	C	10	50
Frankft.	R	12	54	Stckhm.	C	1	34
Funchal	F	22	72	Strasbg.	C	16	61
Geneva	C	11	52	Sydney	C	19	66
Gibrltr.	F	20	68	Tangier	S	24	75
Gl'sg'w	R	9	48	Tel Aviv	S	25	77
G'rnsey	F	15	59	Tenerife	S	25	77
Helsinki	C	1	34	Tokyo	S	20	68
H. Kong	R	24	75	T'r'nto†	C	6	43
Innsbrk.	F	11	52	Tunis	S	20	68
Invrnss.	R	8	46	Valencia	S	22	72
I.o.Man	C	13	55	Venice	S	15	59
Istanbul	F	18	64	Vienna	C	16	61
Jersey	C	15	59	Warsaw	C	8	46
Jo'burg	S	28	82	Zurich	F	17	63
L. Plms.	S	24	75				

C—Cloudy. F—Fair. Fg—Fog. H—Hail. R—Rain. S—Sunny. Sl—Sleet. Sn—Snow. T—Thunder. †Noon GMT temperatures.

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